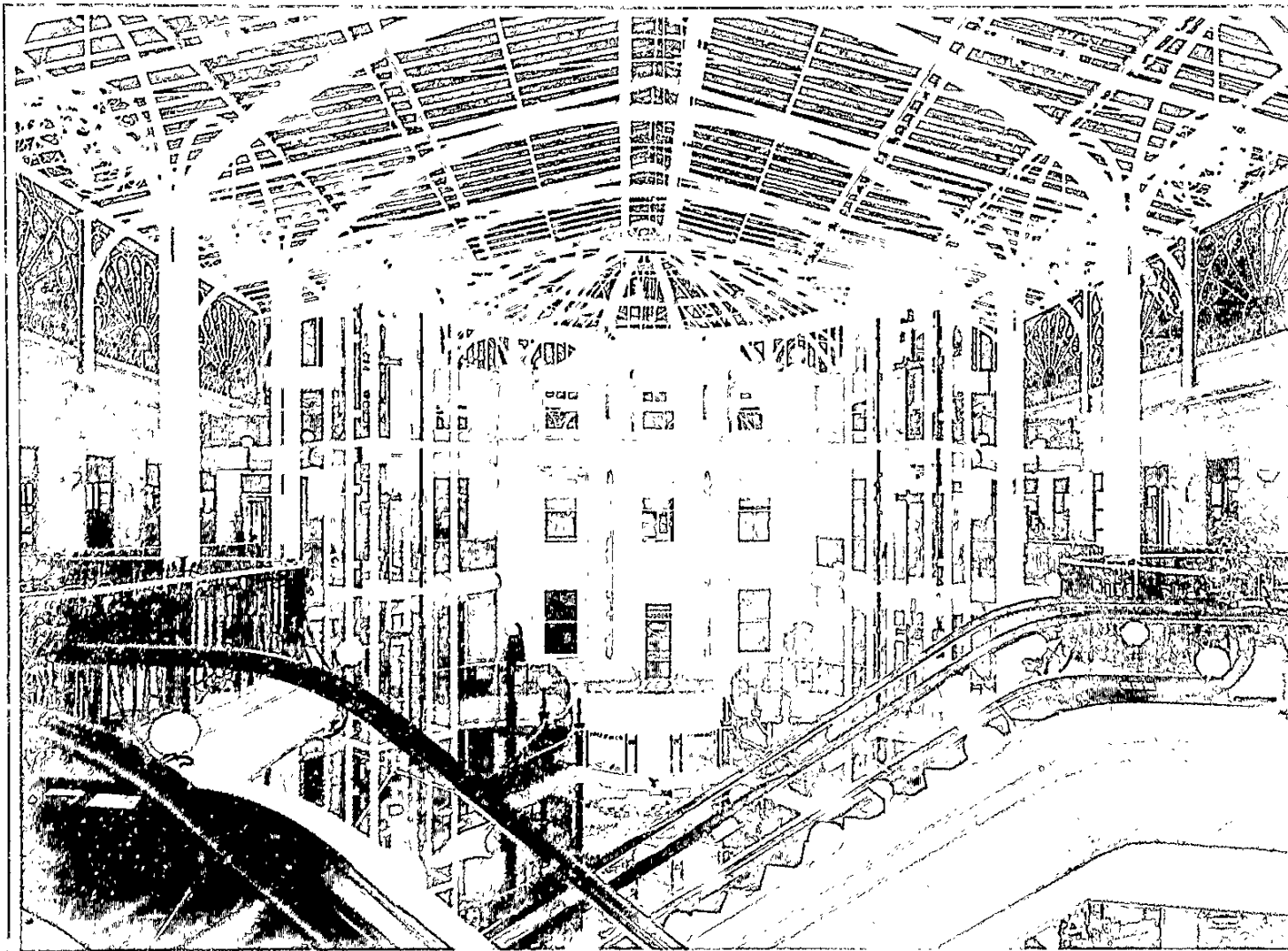
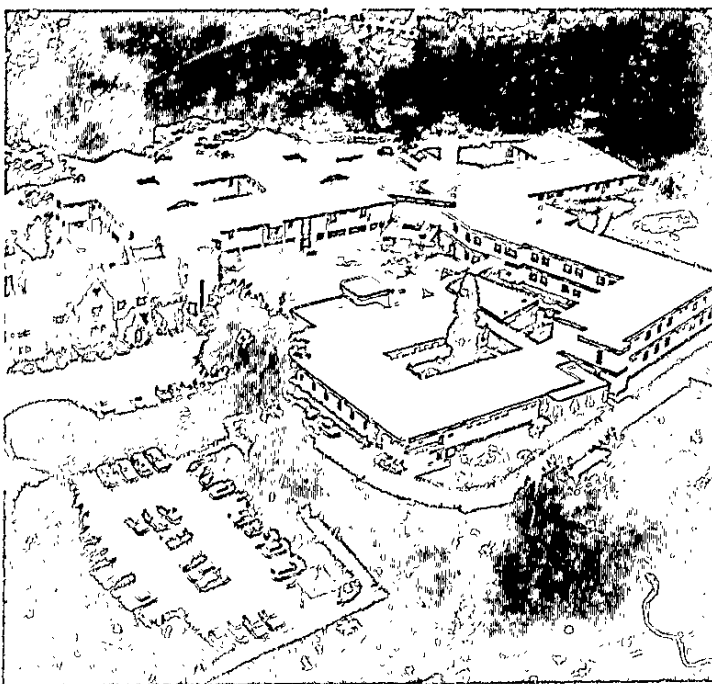


Newarthill p.l.c.

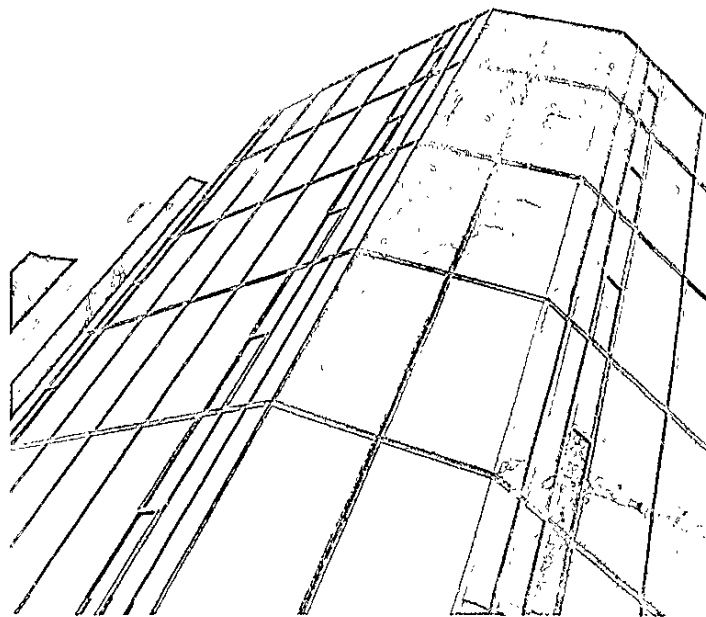
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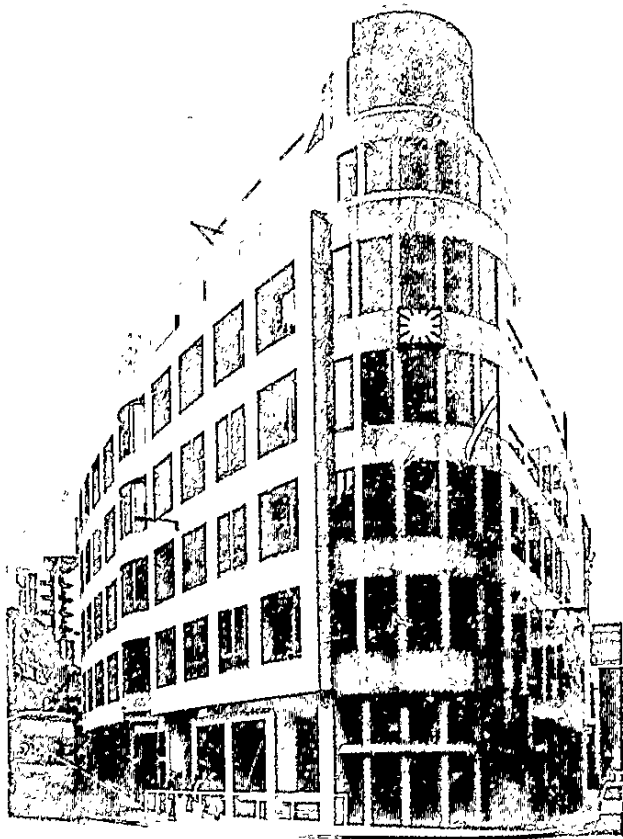
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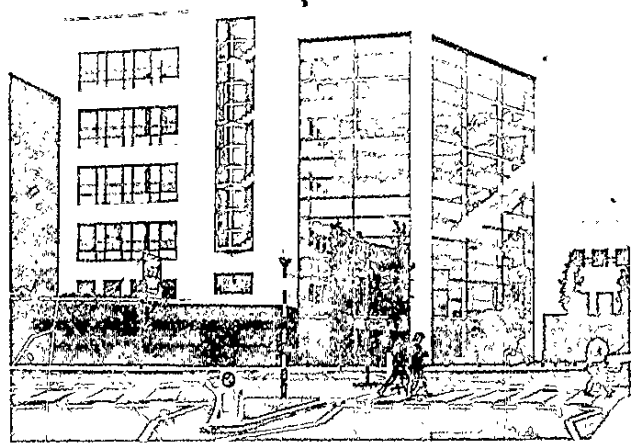
EDINBURGH INTERNATIONAL CENTRE



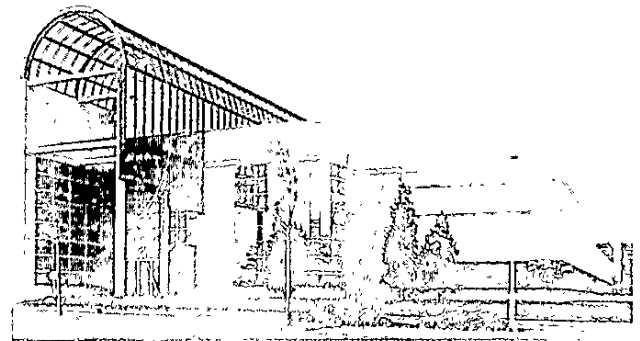
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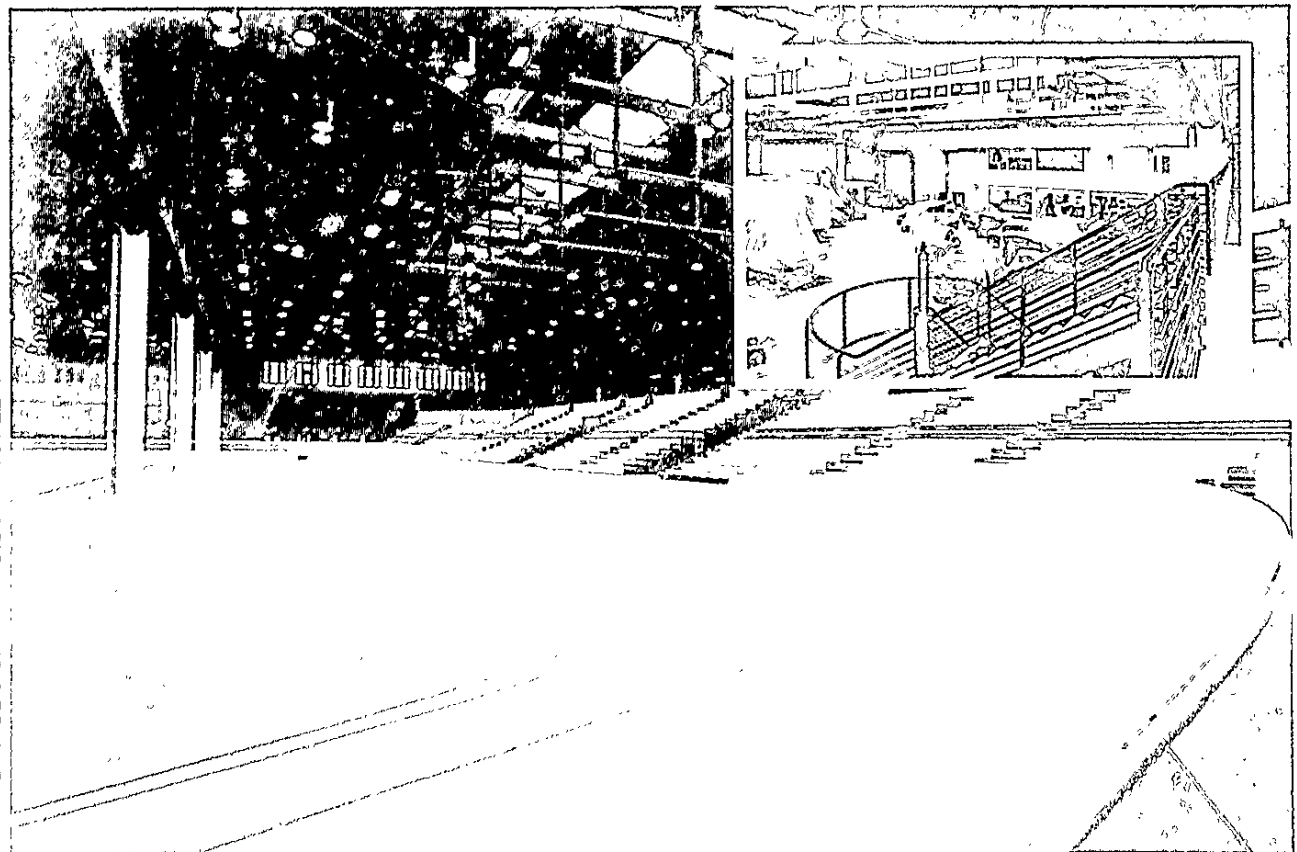
W. H. L. L. L.



PROWELL STREET BRISTOL



W. H. L. L. L.



W. H. L. L. L.

Newarthill p.l.c.

Notice of Annual General Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of Newarthill p.l.c. will be held at the Bonnington Hotel (Margaret Room), 92 Southampton Row, London, WC1, on Thursday, 26th May 1988 at 12.30 p.m., for the following purposes:—

Ordinary business

- 1 To receive the report of the directors and the financial statements for the year ended 31st October 1987
- 2 To declare dividends on the ordinary shares.
- 3 To re-elect the following directors:
Sir Robin McA Alpine CBE
Malcolm H D McA Alpine
Kenneth McA Alpine DL

Special notice has been received of the resolutions which will be proposed for the re-election as directors of Sir Robin McA Alpine and Malcolm H D McA Alpine who are over the age of seventy.

- 4 To reappoint Touche Ross & Co as auditors of the Company and to authorise the directors to fix their remuneration

Special business

- 5 To consider and, if thought fit, pass the following ordinary resolution:

THAT the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 to make purchases on a recognised stock exchange of its own ordinary shares, provided that:

- (a) this authority is limited to the purchase of not more than 500,000 ordinary shares;
- (b) the price to be paid for the ordinary shares acquired under this authority shall not be less than £1 per ordinary share nor more than a price 5% above the average middle market quotation of the shares listed on The London Stock Exchange as derived from The Daily Official List, for the ten business days preceding the day on which the ordinary shares are purchased;
- (c) this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may, before such expiry, make contracts of purchase which would or might fall to be executed wholly or partly after that date and this authority shall extend to purchases effected in pursuance of such contracts;
- (d) all previous authorities under the said Section 166 shall henceforth cease to have effect

40 Bernard Street
London WC1N 1LG
29th April 1988

By Order of the Board,

R J R North,

Secretary

2 MAY 1988

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Note:

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member of the Company.

There are no contracts of service whereunder directors of the Company are employed by the Company or any of its subsidiaries at the date of this notice other than contracts expiring, or determinable by the employing company without payment of compensation, within one year.

The register of directors' interests kept by the Company under Section 325 of the Companies Act 1985 is available for inspection at the registered office of the Company during normal business hours and will be available for inspection at the Annual General Meeting.

Newarthill p.l.c.

Directors and Officers

Directors Sir John Hedley Greenborough KBE LL.D *Chairman*
Sir Robin McAlpine CBE
Lara McAlpine of Moffat
Malcolm I D McAlpine
Kenneth McAlpine DL
Sir Norman Elliott CBE
Sir Robert D Fairbairn JP
W H McAlpine
John M McAlpine MA

Secretary R J R North FCA FCCA

Registered Office 40 Bernard Street
London WC1N 1LG

Registrar Clydesdale Bank PLC
Registrar Department
30 Lombard Street
London EC3V 9BB

Auditors Touche Ross & Co.
Chartered Accountants
Hill House, 1 Little New Street
London EC4A 3TR

Bankers Clydesdale Bank PLC
30 Lombard Street
London EC3V 9BB

Newarthill p.l.c.

Report of the Directors

The directors submit their annual report together with the audited financial statements of the group for the year ended 31st October 1987.

Results and dividends

The group profit for the year before taxation and extraordinary items amounts to £14,511,000. Taxation thereon requires £6,311,000, extraordinary items after taxation add £12,795,000 to the total so that there is £20,995,000 to be appropriated. Of this sum £98,000 has been utilised in respect of the issue of capital shares relating to the 1986 ordinary dividend and preference dividends totalling £274,000 have been paid, leaving £20,623,000.

The directors recommend the payment of a dividend of 14p net on the ordinary shares which together with a recommended special dividend of 5p net on these shares will require £1,802,000 leaving £18,821,000 to be transferred to reserves. Warrants in respect of the dividends on the ordinary shares will be posted on 1st July 1988 to shareholders on the register on 3rd June 1988.

In accordance with the Articles of Association, there will subsequently be capitalised out of reserves the sum required to cover the nominal value of the capital shares which will be issued to the holders of capital shares, calculated by reference to the rates of both ordinary and special dividends paid on the ordinary shares.

Review of the business

The business of the group is that of civil engineering and building contractors and allied activities which include property development and investment, the holding of trade investments and aviation.

The results for the year and the group's prospects are reported on in the Chairman's Review.

Changes in assets

Details of movements in the fixed assets during the year are shown in notes H and I to the accounts on pages 13 to 15.

Plant and equipment, other than aircraft used for trading activities, have been revalued to their current cost.

While the directors are of the opinion that the market value of the group's investment properties at 31st October 1987 is in excess of book value, they consider that the expense of a full professional valuation is not justified.

Newarthill p.l.c.

Report of the Directors *(continued)*

Share capital

New capital shares

During the year 97,938 capital shares of £1 each were issued, credited as fully paid by way of capitalisation of reserves, in accordance with the rights attached to the capital shares then in issue.

Purchase of ordinary shares

In the year to 31st October 1987, 280,026 ordinary shares were purchased, at a cost of £2,994,000, being 2.9% of that class of shares. Since then, up to the date of this report, 22,500 ordinary shares, a further 0.2%, have been bought, at a cost of £240,000.

As your Board consider it advisable to continue to be able to purchase shares, the appropriate ordinary resolution is being put to this Annual General Meeting to authorise the purchase of 500,000 shares during the period to the following Annual General Meeting and also to cancel the authority given last year in respect of any outstanding balance of shares not purchased.

Directors

The members of the Board served throughout the year and are shown on page 2. Sir Robin McAlpine, Mr Malcolm H D McAlpine and Mr Kenneth McAlpine retire by rotation and, being eligible, offer themselves for re-election. Special notice has been received in respect of the re-election of Sir Robin McAlpine and Mr Malcolm H D McAlpine as they are over the age of seventy.

It is with great regret that the Board have to report the death of Sir Robert D Fairbairn on 26th March 1988.

Employee involvement

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

The disabled

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

Charitable and political donations

Donations for charitable purposes amounted to £112,000. There were payments totalling £58,000 to Conservative Party Organisations.

Newarthill p.l.c.

Report of the Directors *(continued)*

Auditors

Touche Ross & Co. have expressed their willingness to accept reappointment in accordance with the provisions of the Companies Act 1985

Interest in shares

At 28th March 1988 the directors had not been notified that any person (other than directors and their co-trustees) had an interest exceeding 5% in the issued ordinary and capital shares of the Company

Close company

The close company provisions of the Income & Corporation Taxes Act 1970, as subsequently amended, applied to the Company at 31st October 1987 and continue to apply. Shortfall or apportionment agreements have been obtained for all periods up to 31st October 1985 and, in the opinion of the directors, no liability will arise in respect of the two years ended 31st October 1987

40 Bernard Street
London WC1N 1LG
13th April 1988

By Order of the Board,
R J R North,
Secretary.

Newarthill p.l.c.
and Subsidiary Companies

Group Profit and Loss Account

for the year ended 31st October 1987

	Notes	1987 £000	1986 £000
Turnover		343,263	272,768
Cost of sales		325,644	254,953
Gross profit		17,619	17,815
Administrative expenses		9,142	8,431
		<u>8,477</u>	<u>9,384</u>
Income from:			
Related companies		976	(798)
Property		3,343	3,640
Investments	A	6,290	6,241
Interest payable	B	<u>(4,575)</u>	<u>(4,167)</u>
Profit on ordinary activities before taxation	C	14,511	14,300
Taxation	D	6,311	6,430
Profit on ordinary activities after taxation		8,200	7,870
Extraordinary items	E	<u>12,795</u>	<u>1,900</u>
Profit for the year attributable to the shareholders		20,995	9,770
Dividends	F	2,174	1,601
Transferred to reserves	Q	<u>18,821</u>	<u>8,169</u>
 Made up as follows:			
Parent company		3,230	1,020
Subsidiary companies		15,065	7,639
Related companies		<u>526</u>	<u>1,140</u>
 Earnings per share	G		
Before taxation		84.8p	83.2p
After taxation		47.2p	46.1p

Newarthill p.l.c.
and Subsidiary Companies

Balance Sheets

as at 31st October 1987

	Notes	Group 1987 £000	1986 £000	Company 1987 £000	1986 £000
Fixed assets					
Tangible assets	H	86,608	80,400	—	—
Investments	I	46,482	60,055	22,797	22,797
		<u>133,090</u>	<u>140,454</u>	<u>22,797</u>	<u>22,797</u>
Current assets					
Stocks	J	91,592	94,100	—	—
Debtors	K	34,046	32,742	12,730	7,885
Investments	L	77,589	64,540	52,250	52,250
Cash at bank and in hand		2,789	5,123	1,379	2,204
		<u>206,016</u>	<u>196,505</u>	<u>66,359</u>	<u>62,339</u>
Creditors: Amounts falling due within one year	M	133,993	131,431	64,769	60,928
Net current assets		<u>72,023</u>	<u>65,074</u>	<u>1,590</u>	<u>1,411</u>
Total assets less current liabilities		<u>205,113</u>	<u>198,429</u>	<u>24,387</u>	<u>24,208</u>
Creditors: Amounts falling due after more than one year	N	23,805	28,003	—	—
Provisions for liabilities and charges	O	9,531	10,417	(600)	(445)
		<u>33,336</u>	<u>38,420</u>	<u>(600)</u>	<u>(445)</u>
		<u>171,777</u>	<u>160,009</u>	<u>24,987</u>	<u>24,653</u>
Capital and reserves					
Called up share capital	P	21,420	21,602	21,420	21,602
Capital redemption reserve	Q	594	314	594	314
Plant revaluation reserve	Q	9,173	8,211	—	—
Other reserves	Q	834	5,123	—	—
Profit and loss account	Q	139,756	124,760	2,973	2,737
		<u>171,777</u>	<u>160,009</u>	<u>24,987</u>	<u>24,653</u>

The financial statements were approved by the Board of Directors on 13th April 1988.

JOHN GREENBOROUGH
MALCOLM H D MCALPINE

Directors

John Helly Greenborough

Malcolm H D McAlpine

Newarthill p.l.c.
and **Subsidiary Companies**

Source and Application of Funds

for the year ended 31st October 1987

	1987		1986	
	£000	£000	£000	£000
Source of funds				
Profit on ordinary activities before taxation		14,511		14,300
Adjustment for item not involving the movement of funds—depreciation		8,210		8,124
Extraordinary items before tax and excluding the sale of finance leasing subsidiaries		13,352		3,904
Income from related companies		(976)		798
Generated from operations		35,097		27,126
Funds from other sources				
Decrease in investments	14,321		14,280	
Net proceeds of sale of finance leasing subsidiaries	535		2,342	
		14,856		16,622
Total funds		50,000		43,748
Application of funds				
Dividends paid	1,476		1,337	
Tax paid	7,917		2,705	
Net investment in fixed assets	13,546		6,017	
Purchase of own shares	2,884		1,389	
Decrease in borrowing	4,552		1,653	
Reduction in payments received on account	6,743		6,383	
		37,228		19,984
Movement in working capital (Decrease)/increase in				
Stocks and work in progress	(6,911)		27,574	
Properties held for development and sale	4,403		8,091	
Interest in joint ventures	(797)		1,482	
Debtors	1,907		1,391	
	(1,398)		38,538	
Increase in creditors	(10,746)		(3,385)	
		(12,144)		35,153
Purchase of certificates of tax repayment		8,977		1,157
Exchange rates adjustment		4,960		3,842
		39,021		60,136
Movement in net liquid funds		10,932		(16,388)
Comprising -				
Short term deposits	14,572		(6,356)	
Bank balances	(334)		400	
Bank overdrafts	(14,306)		(9,930)	
		10,932		(16,388)

Newarthill p.l.c.

and Subsidiary Companies

Notes to the Accounts

Accounting Policies

Accounting conventions

The group's financial statements comply with the reporting requirements of the Companies Act 1985 and have been prepared in accordance with the historical cost convention as modified by the revaluation of trading companies' plant and equipment other than aircraft.

Basis of consolidation

The group financial statements incorporate the assets and liabilities of all subsidiaries as at 31st October 1987 and their results for the year ended on that date.

The group's cumulative share of post-acquisition reserves of related companies has been taken from the most recent audited financial statements of the companies concerned and, where the audited financial statements cover a period ended before 31st October 1987, from subsequent unaudited management accounts and include, in the case of property development companies, losses which arise in the early years through interest and other costs. Related companies are those in which the group owns 20% or more of the voting share capital and participates in the management.

The group's share in joint ventures is valued at cost plus its share of accumulated profits and losses.

Foreign currencies

The financial statements of overseas subsidiaries and related companies are converted at the rates of exchange ruling at 31st October 1987. Unrealised differences on exchange are dealt with through reserves.

Revaluation of plant and equipment of trading companies

Plant and equipment other than aircraft is valued at current cost, which continues to be based on net replacement cost calculated using the appropriate government indices. The resultant surplus is placed to plant revaluation reserve.

Work in progress

Work in progress is valued at cost plus attributable profit, less payments received on account. Credit is taken for claims certified and paid within one month of the year-end and provision is made for expected losses and contingencies on both current and completed contracts.

Stocks

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

Properties held for development and sale

These are stated at cost less amounts provided for depletion in value.

Turnover

Turnover represents the value of work carried out and services supplied to clients of the group during the year and includes the group's share of turnover in joint ventures.

Depreciation

Plant and equipment are depreciated over their estimated useful economic lives at declining rates based on their written down values uplifted where appropriate to their net replacement cost. The rates vary between 5% and 50% per annum.

Buildings occupied for trading purposes are written off over their estimated remaining useful life by equal annual instalments. Short leases are written off by equal annual instalments over the remainder of the lease.

Deferred taxation

Deferred taxation is provided at anticipated taxation rates on timing differences which arise from the inclusion of income and expenditure in taxation computations in periods other than those in which they are included in the financial statements where it is probable that a liability or asset will crystallise in the future.

Newarthill p.l.c. and Subsidiary Companies

Notes to the Accounts (continued)

	1987 £000	1986 £000
A Investment income		
Listed investments	1,708	2,231
Unlisted investments	4,565	3,997
Equipment leasing	17	23
	<u>6,290</u>	<u>6,241</u>
B Interest payable		
Bank loans, overdrafts and other loans repayable within 5 years	4,081	3,656
Other loans	494	511
	<u>4,575</u>	<u>4,167</u>
C Profit on ordinary activities before taxation is arrived at:		
after charging		
Depreciation	8,210	8,124
Plant hire and leasing	3,343	2,799
Operating lease—property	482	—
Auditors' remuneration	199	253
and after crediting		
Interest receivable on advance payment	2,699	3,286
Net profit on sales of tangible assets	1,418	867
	<u>285</u>	<u>267</u>
Directors and staff		
Aggregate emoluments of the directors of the Company	285	267
Staff costs including directors' emoluments:		
Wages and salaries	47,536	41,833
Social security costs	4,209	3,612
Other pension costs	1,440	1,441
	<u>53,185</u>	<u>46,886</u>
Average number employed during the year including directors	Number 4,028	Number 3,476
Remuneration		
Directors: Chairman	£12,296	£11,878
Highest paid	£44,991	£43,009
Other directors' remuneration and the number of the Company's United Kingdom staff whose total remuneration exceeded £30,000 is as follows		
	Directors	Staff
	1987	1986
Up to £ 5,000	2	2
£10,001 to £15,000	1	1
£35,001 to £40,000	—	—
£40,001 to £45,000	4	—
		1987
£35,001 to £40,000	1	—
£60,001 to £65,000	1	—
£65,001 to £70,000	—	—

Newarthill p.l.c.

and Subsidiary Companies

Notes to the Accounts (continued)

Directors' interests

The interests of the directors in shares of the Company are set out below. They include such family interests as are required to be disclosed by the Companies Act 1985.

	At 31st October 1987		At 31st October 1986	
	Ordinary	Capital	Ordinary	Capital
<i>Beneficial</i>				
Sir John Hedley Greenborough	—	—	—	—
Sir Robin McAlpine	112,502	426,129	376,028	519,036
Lord McAlpine of Moffat	79,240	251,445	114,240	283,157
Malcolm H D McAlpine	487,067	189,984	487,067	173,819
Kenneth McAlpine	715,976	56,157	741,976	55,399
Sir Norman Elliott	5,000	—	5,000	—
Sir Robert D Fairbairn	5,000	—	5,000	—
W H McAlpine	291,187	730,445	321,187	720,598
Ian M McAlpine	510,974	304,653	520,974	369,503
<i>Non-beneficial</i>				
Sir Robin McAlpine Lord McAlpine of Moffat Malcolm H D McAlpine Kenneth McAlpine and W H McAlpine	2,709,489	2,158,877	2,709,489	2,037,116
Sir Robin McAlpine and Kenneth McAlpine	—	—	230,000	—
Malcolm H D McAlpine	477	—	477	—
Malcolm H D McAlpine and Ian M McAlpine	—	558,795	—	551,429
Kenneth McAlpine and Ian M McAlpine	404,159	584,915	131,160	577,029
W H McAlpine	2,410	169,789	2,410	233,739
W H McAlpine and Ian M McAlpine	81,750	—	81,750	—
Ian M McAlpine	81,750	—	81,750	—

During the period 1st November 1987 to 28th March 1988 Lord McAlpine of Moffat acquired 3,150 ordinary shares. Mr Malcolm H D McAlpine acquired 1,720 capital shares. Mr W H McAlpine, as trustee, disposed of 200 capital shares.

Interest in contracts

During the year there were no transactions or arrangements involving directors of the Company or its subsidiaries, which are required to be disclosed in accordance with Section 232 of the Companies Act 1985.

Newarthill p.l.c.

and Subsidiary Companies

Notes to the Accounts (continued)

	1987 £000	1986 £000
D Taxation		
Charge on the profits of the year:		
Corporation Tax at 35% (1986 37.07%)	6,587	8,061
Deferred taxation	(634)	(2,153)
Taxation attributable to franked investment income	457	375
Taxation on group's share of profits of related companies	401	(242)
Overseas taxation	5	23
Prior years' adjustments:		
Corporation Tax	(20)	(98)
Deferred taxation	(312)	(125)
Related companies	(173)	589
	<u>6,311</u>	<u>6,430</u>
E Extraordinary items		
Net profits on disposals of shares in related companies and listed investments	7,281	2,801
Net profit on disposal of investment properties	10,700	1,000
Net profit/(provision) on disposal of finance leasing subsidiaries	348	(1,520)
Net (loss)/profit on disposals of subsidiary companies	(14)	47
Realised exchange losses on reconstruction of long term funding arrangements for overseas subsidiaries	(4,615)	—
	<u>13,700</u>	<u>2,384</u>
Taxation	(905)	(484)
	<u>12,795</u>	<u>1,900</u>
F Dividends		
8¼% (now 6.775% plus tax credit) cumulative preference shares (paid)	274	274
Ordinary (proposed)	1,328	1,202
Special (proposed)	474	—
Capital shares issued relating to previous year's ordinary and special dividends	98	125
	<u>2,174</u>	<u>1,601</u>
G Earnings per share	Number	Number
Average shares in issue	<u>16,786,820</u>	<u>16,856,232</u>
	£000	£000
Profit on ordinary activities		
Before tax	14,511	14,300
After tax	8,200	7,970
Preference dividend	(274)	(274)
Earnings per share		
Before tax	84.8p	83.2p
After tax	47.2p	46.1p

Newarthill p.l.c. and Subsidiary Companies

Notes to the Accounts (continued)

	Total £000	Land and Buildings £000	Plant and Equipment £000
H Tangible fixed assets			
Cost or valuation			
As at 31st October 1986	137,069	64,254	72,815
Exchange rates adjustment	(4,734)	(4,222)	(512)
Additions at cost	25,156	16,491	8,665
Disposals	(14,535)	(4,316)	(10,219)
Revaluation at 31st October 1987	2,596	—	2,596
As at 31st October 1987	<u>145,552</u>	<u>72,207</u>	<u>73,345</u>
Comparable historical cost	<u>122,531</u>	<u>72,207</u>	<u>50,324</u>
Depreciation			
As at 31st October 1986	56,667	10,272	46,388
Exchange rates adjustment	(4,734)	(471)	(86)
Provision for the year	13,210	1,818	6,392
Eliminated on disposals	(17,102)	(1,143)	(5,959)
Revaluation at 31st October 1987	1,733	—	1,733
As at 31st October 1987	<u>58,944</u>	<u>10,476</u>	<u>48,468</u>
Comparable historical depreciation	<u>38,350</u>	<u>10,476</u>	<u>27,874</u>
Net book value as at 31st October 1987	<u>86,608</u>	<u>61,731</u>	<u>24,877</u>
At cost	<u>73,632</u>	<u>61,731</u>	<u>11,901</u>
At valuation	<u>12,976</u>	<u>—</u>	<u>12,976</u>
Net book value as at 31st October 1986	<u>87,400</u>	<u>53,982</u>	<u>26,427</u>
The net book value of land and buildings comprises			
Freehold		39,593	
Long leasehold		8,445	
Short leasehold		13,693	
		<u>61,731</u>	

Note: It is group policy to carry the insurable risks on premises and plant used in its contracting activities

Newarthill p.l.c.

and Subsidiary Companies

Notes to the Accounts (continued)

		Total £000	Related Companies Equity £000	Loans £000	Investments Securities £000	Loans £000
I Fixed asset investments						
Group						
Cost:	As at 31st October 1986	63,195	9,303	3,340	41,459	9,093
	Exchange adjustments	(1,392)	(32)	—	—	(1,360)
	Additions	12,980	—	1,098	9,610	2,272
	Decrease in reserves	(934)	(934)	—	—	—
	Disposals	(24,760)	(54)	(690)	(22,678)	(1,338)
	Transfers	—	412	(412)	(800)	800
	As at 31st October 1987	49,089	8,695	3,336	27,591	9,467
Provisions:	As at 31st October 1986	3,140	25	1,204	10	1,901
	Exchange adjustments	(333)	—	—	—	(333)
	Additions	15	—	—	—	15
	Disposals	(215)	—	(214)	—	(1)
	As at 31st October 1987	2,607	25	990	10	1,582
Net book value as at 31st October 1987		46,482	8,670	2,346	27,581	7,885
Shares at cost			4,303			
Group share of post acquisition reserves			4,367			
			8,670			

Fixed asset securities comprise listed and unlisted securities

	1987 £000	1986 £000
Listed securities		
Net book value	21,791	35,806
Market value	£55.6m	£60.9m

If these shares were to be sold at the valuations shown above there would be a liability to corporation tax at the rate appropriate to capital gains on the excess over book value

Listed investments include interests in the issued ordinary share capital of the following companies which are incorporated and registered in England —

		Group Holding	
		1987 %	1986 %
The British Dredging PLC	17,245,596 Ordinary Shares of 25p each	21.45	21.28
Lynton Holdings PLC	13,317,046 Ordinary Shares of 20p each	—	24.92
Lynton Property & Reversionary PLC	48,924,762 Ordinary Shares of 20p each	10.60	—
Whessoe PLC	18,064,000 Ordinary Shares of 25p each	16.72	16.72
Wiggins Group PLC	15,528,896 Ordinary Shares of 10p each	20.12	24.92

Newarthill p.l.c. and Subsidiary Companies

Notes to the Accounts (continued)

I Fixed asset investments (continued)

The following unlisted companies have been treated as related companies at 31st October 1987.

Company	Country of Registration Incorporation and Principal Country of Operation	Issued Shares	Group Holding %	Date of Accounts
Apoley Hotels Limited	England	115,000 'A' Shares of £1 each 115,000 'B' Shares of £1 each	100 NIL	31/12/86
Aquae Sals Limited	England	6 Ordinary Shares of £1 each	50	31/12/86
Fondedite Foundations Limited	England	20,100 Shares of £1 each	50	31/12/86
Foramac Drilling Limited	England	2,500 'A' Shares of £1 each 2,500 'B' Shares of £1 each	100 NIL	31/12/86
Graycoat London Estates Limited	England	50 'A' Ordinary Shares of £1 each 50 'B' Ordinary Shares of £1 each	100 NIL	30/ 6/87
Graycoat London Estates Investments Limited	England	100 'A' Ordinary Shares of £1 each 100 'B' Ordinary Shares of £1 each	100 NIL	30/ 6/87
Graycoat London Estates Victoria Limited	England	50 'A' Ordinary Shares of £1 each 50 'B' Ordinary Shares of £1 each	100 NIL	30/ 6/87
Hunterston Development Company Limited	Scotland	216,360 Ordinary Shares of 50p each 54,090 'A' Ordinary Shares of 50p each 54,090 'B' Ordinary Shares of 50p each 216,360 non-voting Ordinary Shares of 50p each	43 NIL NIL 50	30/ 9/87
Lasephon Limited	England	1,000 'A' Shares of £1 each 1,000 'B' Shares of £1 each	NIL 100	31/10/87
Quarry Products Limited	Cayman Islands	5,000 Shares of \$1 each	20	31/ 3/87
Retsement Properties Limited	England	100,000 Shares of £1 each	25	31/12/86
St Mary-at-Hill Properties Limited	England	100 Ordinary Shares of £1 each	30	30/ 4/87
Vertical Axis Wind Turbines Limited	England	4,000 'A' Shares of £1 each 4,000 'B' Shares of £1 each	100 NIL	31/12/86

Company

Shares in subsidiary companies at cost £22,797,000 (for details see Page 22).

	1987 £000	1986 £000
J Stocks		
Materials and consumables	4,697	8,258
Properties held for development and sale	29,912	25,009
Work in progress (see below)	56,983	60,233
	<u>91,592</u>	<u>94,100</u>
Contract work in progress	1,168,745	1,164,475
Deduct Cash received	<u>1,111,762</u>	<u>1,104,142</u>
	<u>56,983</u>	<u>60,333</u>
The amounts certified at 31st October in respect of work done but unpaid at that date were	<u>18,010</u>	<u>22,676</u>

The inclusion of attributable profit in long-term contract work in progress in accordance with Statement of Standard Accounting Practice No. 9 constitutes a departure from the valuation rules contained in Schedule 4 to the Companies Act 1985. This departure is necessary to enable the financial statements to give a true and fair view, and is required by Section 228(5) of that Act. As it is not possible to allocate progress payments between costs and profits, it is impracticable to determine the effect of this departure on the amount attributed to long-term contract work in progress in the balance sheet.

Newarthill p.l.c.

and Subsidiary Companies

Notes to the Accounts (continued)

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
K Debtors				
Amounts falling due within one year:				
Trade debtors	5,573	6,656	—	—
Amounts owed by subsidiaries	—	—	12,724	7,872
Amounts owed by related companies	752	368	—	9
Interest in joint ventures	6,809	7,606	—	—
Prepayments and accrued income	9,437	2,422	—	—
Other debtors	7,621	11,522	6	4
Taxation	2,175	2,549	—	—
	<u>32,367</u>	<u>31,123</u>	<u>12,730</u>	<u>7,885</u>
Amounts falling due after more than one year				
Other debtors	1,679	1,619	—	—
	<u>34,046</u>	<u>32,742</u>	<u>12,730</u>	<u>7,885</u>
L Investments				
Subsidiary company unsecured loan stock (see Note R)			52,250	52,250
Short-term deposits	61,361	46,789	—	—
Certificates of tax deposit	16,228	7,951	—	—
	<u>77,589</u>	<u>54,040</u>	<u>52,250</u>	<u>52,250</u>
M Creditors				
Amounts falling due within one year				
Loans (see Note S)	3,255	6,431	—	—
Bank overdrafts	27,893	24,587	—	—
Payments received on account	13,337	20,080	—	—
Trade creditors	57,135	45,430	—	—
Bills of exchange payable	—	552	—	—
Amounts owed to subsidiary companies				
Unsecured loan stock (see Note R)	—	—	47,500	47,500
Current account	—	—	13,461	10,550
Amounts owed to related companies	939	1,038	927	927
Accruals and deferred income	4,274	5,344	21	18
Taxation and social security	22,415	18,855	1,058	731
Other creditors	2,943	2,521	—	—
Proposed dividends	1,802	1,202	1,802	1,202
	<u>133,993</u>	<u>126,040</u>	<u>64,769</u>	<u>60,928</u>
N Creditors				
Amounts falling due after more than one year				
Loans (see Note S)	16,599	17,975	—	—
Trade creditors	3,950	3,525	—	—
Taxation and social security	2,177	5,518	—	—
Other creditors	1,079	1,045	—	—
	<u>23,805</u>	<u>28,063</u>	<u>—</u>	<u>—</u>

Newarthill p.l.c. and Subsidiary Companies

Notes to the Accounts (continued)

	Group		Company	
	Deferred Taxation	Other Provisions	Deferred Taxation	Other Provisions
	£000	£000	£000	£000
O Provisions for liabilities and charges				
As at 31st October 1986	6,216	4,201	(445)	—
Movement during the year	(862)	(24)	(155)	—
As at 31st October 1987	5,354	4,177	(600)	—
Deferred taxation is in respect of				
Accelerated capital allowance	4,234	—	—	—
Other timing differences	1,720	—	—	—
Advance corporation tax on dividends	(600)	—	(600)	—
	5,354	—	(600)	—

There was no unprovided liability to deferred taxation at the year end (1986 nil)
Other provisions relate to construction activities

	1987 £	1986 £	1987 £	1986 £
P Called up share capital				
8¼% (now 5 77½% plus tax credit)				
Cumulative preference shares of £1	4,750,000	4,750,000	4,750,000	4,750,000
Ordinary shares of £1	10,000,000	10,000,000	10,000,000	9,685,500
Capital shares of £1	7,264,607	7,264,607	7,264,607	7,166,669
Unclassified shares of £1	485,393	—	—	—
	22,500,000	22,014,607	22,014,607	21,602,169

The capital shares do not entitle the holders to participate in dividends but entitle them in lieu annually to receive further shares to be allotted credited as fully paid by capitalisation of reserves and having a value related to the rate of dividends paid or to be paid on the ordinary shares for the relevant financial period, as laid down in the Articles of Association

In accordance with the Articles of Association, 100,000 capital shares were converted into a similar number of ordinary shares during the year. Other movements in the authorised and allotted share capital are detailed in the report of the directors on page 4

	Total £000	Capital Redemption Reserve £000	Plant Revaluation Reserve £000	Other Reserves £000	Profit and Loss Account £000
Q Reserves					
Group					
As at 31st October 1986	138,347	314	8,311	5,126	124,596
Profit for the year	18,821	—	—	668	18,153
Revaluation of plant and equipment	803	—	803	—	—
Release on disposal of assets	—	—	(11)	—	1
Purchase of ordinary shares	(2,714)	280	—	—	(2,994)
Net differences on exchange	(4,960)	—	—	(4,960)	—
As at 31st October 1987	150,357	594	9,173	834	139,756
Company					
As at 31st October 1986	3,051	314	—	—	2,737
Profit for the year	3,230	—	—	—	3,230
Purchase of ordinary shares	(2,714)	280	—	—	(2,994)
As at 31st October 1987	3,567	594	—	—	2,973

Other reserves comprise unrealised profits and unrealised gains on exchange

As permitted by Section 22(4)(7) of the Companies Act 1985 no profit and loss account of the parent company is presented

R Unsecured loan stock

On 30th April 1986 the Company created £52,250,000 of 10% unsecured loan stock 1991, issued at par by a subsidiary company and redeemable at par on six months' notice. Similarly it issued at par in a subsidiary company £47,150,000 of 10% unsecured loan stock 1991, redeemable at par on six months' notice. Interest receivable of £4,375,000 due on 31st March and 30th September 1987 was waived by the Company and interest payable of £3,650,000 due on 31st March and 30th September 1987 was waived by the Stockholder in respect of the stock so taken account of at year end due

Newarthill p.l.c. and Subsidiary Companies

Notes to the Accounts (continued)

S Loans

The following table provides details of loans to the group. Loans are included in notes M and N under creditors.

	1987 £000	1986 £000
Falling due within one year	3,255	6,431
Falling due after more than one year	16,599	17,975
	<u>19,854</u>	<u>24,406</u>

An analysis of the loans is as follows:

Loans to subsidiary companies secured by charges upon those companies' tangible fixed assets. Interest rates vary between 5% p.a. and 16% p.a.

United States Dollar

Repayable 1987-1989	1,958	4,584
Repayable 1984-1989 by equal instalments	319	540
Repayable 1982-1991 by equal instalments	189	253
Repayable 1985-1992 by equal instalments	178	254

Australian Dollar

Repayable 1986-1987	—	1,741
Repayable 1988	7,255	6,393

Sterling

Repayable 1988-1997 by instalments	326	—
Repayable 2003-2004 (50% out of the proceeds of mortgage endowment policies)	2,350	2,350
Repayable partially by instalments, commenced 1982, with a final payment of £1,040,000 in 2006	1,760	1,800
Hire purchase creditor—repayable by instalments 1985-1988	5,519	6,491
	<u>19,854</u>	<u>24,406</u>

Repayments of the loans fall due:

One year or less	3,255	6,431
Between one and two years	8,966	9,103
Between two and five years	3,623	4,762
In five years or more	4,010	4,110
	<u>19,854</u>	<u>24,406</u>

T Supplementary information

1 Fixed assets depreciation

The depreciation charged for the year on assets held at current cost would have been £686,000 (1986: £686,000) less had these figures been calculated on historic cost basis, similarly the profit on disposal of such assets would have been £1,000 (1986: £941,000) more.

2 Geographical analysis

Activities in the Caribbean, U S A and Australia contributed 1.7% of the turnover and made a pre-tax loss of £2.7 million.

3 Operating lease commitments by a subsidiary company

Leasehold property—lease expiring after 5 years £757,000 (1986: £757,000).

4 Capital commitments by subsidiary companies

(a) contracted for but not provided in the financial statements in respect of

(i) building developments £22.7 million (1986: £22.7 million)

(ii) other expenditure £0.8 million (1986: £0.8 million)

(b) authorized but not yet contracted for £0.8 million (1986: £0.8 million).

5 Contingent liabilities

There were contingent liabilities in respect of

(a) joint and several guarantees relating to mortgage debentures issued by a related company, up to a maximum of £3.9 million (1986: £3.9 million)

(b) guarantees of loans and advances to subsidiary and related companies £10.5 million (1986: £10.5 million)

(c) guarantees of contract performance bonds given in the normal course of business

(d) guarantees of performance by subsidiary companies under funding and leasing agreements

(e) completed and uncompleted contracts.

Newarthill p.l.c.
and Subsidiary Companies

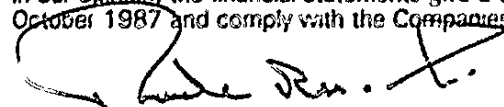
Report of the Auditors
to the members of Newarthill p.l.c.

We have audited the financial statements on pages 6 to 18 and 22 in accordance with approved Auditing Standards.

Property investment interests have been included in the financial statements based on their historical cost, at a net book value of £27.5m (1986 £33.7m), after charging cumulative depreciation of £3.7m (1986 £3.3m). In addition, a related company holds property investment interests with an attributable net book value to the group of £4.3m (1986 £4.4m) based on their historical cost, after charging cumulative depreciation of £1.2m (1986 £1.1m). This treatment does not comply with Statement of Standard Accounting Practice No. 19 which requires revaluation of such interests.

Except for the matters referred to above, in our opinion the financial statements give a true and fair view of the state of affairs of the group as at 31st October 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

In our opinion, the financial statements give a true and fair view of the parent company's affairs as at 31st October 1987 and comply with the Companies Act 1985



TOUCHE ROSS & CO
Chartered Accountants

London
13th April 1988

Newarthill p.l.c. and Subsidiary Companies

Chairman's Review

In my statement accompanying the figures in our 1987 interim report I made mention of the reducing margins in the construction industry which led to decreased profits before tax at the half year. However, I stated that I did not expect the full year's results to differ substantially from the previous year's and, in the event, this has been borne out. The increase in our turnover by no less than a quarter over 1986 has made great demands on our staff at all levels and again they have proved more than capable of meeting the additional load imposed upon them.

Sir Robert Fairbairn

It is with great sadness that I report the very recent death, in March this year, of Sir Robert Fairbairn, a former Chairman of the Clydesdale Bank, who had been a non-executive Director of Newarthill since its inception in 1972. His great dedication to the affairs of the company, coupled with his vast experience in the world of finance, enabled him to make a most significant contribution to the continuing success of the company.

Profits and Dividends

The pre-tax profit for the year, at £14,511,000, is virtually identical to that of the previous year. The contribution from construction, however, was substantially reduced but compensated by increased property trading profits. Extraordinary items add £12,795,000 to the profit available to the shareholders. This profit arises principally from the satisfactory completion of an investment property

During the year, capital shares were issued in lieu of dividends for that class of share. This requires £98,000 of the profit for the year available for distribution. Preference dividends take £274,000, and the Directors' recommendation of an ordinary dividend of 14p and a special dividend of 5p, in recognition of the year's profit on extraordinary items, requires £1,802,000. Further capital shares will be issued in lieu of both the 1987 ordinary and special dividends on this class of share but does not this year affect the balance of £18,821,000 which remains to be added to the group's resources.

Construction

As reported last year the construction industry enjoyed an accelerated recovery with a significant increase in volume to an extent which brought sharply problems of skilled labour and scarce materials, particularly in the southern part of the country. These pressures, added to the already very competitive nature of our industry, manifested themselves in a substantially reduced profit level, reflecting the worries concerning profitability expressed last year. A substantial cause was the very protracted and difficult discussions with a small minority of building owners and their advisers before they acknowledge their responsibility for the additional cost of changed requirements and delayed decisions during construction. This has led to a noticeable increase in the use in the industry of legal and arbitration solutions to resolve such problems. The considerable professional and internal staff time and expense on both sides comprise an appreciable percentage of the amounts in dispute.

Our own turnover, which has increased by no less than 25%, shows that we were very much in the van, with many new contract awards, including three very large London office blocks. We were particularly pleased to be entrusted with the contract for the extension of the National Gallery in Trafalgar Square.

We obtained additional orders in the North East on the exciting new Nissan complex at Washington. Our efficient staff and methods have led to our constructing virtually the whole of this project in a series of contracts, including a substantial design element.

Repeat orders were also awarded to us at British Nuclear Fuels' plant at Sellafield, demonstrating once again our success in the extremely exacting quality control required for nuclear projects. Torness Nuclear Power Station in Scotland is now on stream without the over-runs in cost or time often alleged by critics of the industry.

Other major new jobs covered our usual wide range, both geographically and in type. Included were a substantial office development in Oxford, a large kitchen in Bristol and a retail centre and associated car park in Plymouth.

Newarthill p.l.c.

and Subsidiary Companies

Chairman's Review *(continued)*

Our Design Department was heavily involved with the further works on the Nissan project, the Port Solent Marina and other major projects in London, the North East and Scotland. In conjunction with Taylor Woodrow, the joint nuclear design team was busily employed on both AGR work and the new Sizewell PWR power station.

We are actively seeking out the types of contract in which we wish to involve ourselves in the future. These include such energy forms as wind and tidal power, which we continue to develop, together with more conventional power stations and power projects. Research and development work into nuclear waste disposal goes on and we are involved with the C.E.G.B. and others in studies into the decommissioning of nuclear power stations. We are fully aware of the opportunities which may be afforded by the private sector of the electricity supply industry.

Property and Investments

Our U.K. property interests comprise both investment and dealing projects. With the sale of two of the latter effected during 1987 we enjoyed a good year in an activity which inevitably has an erratic profit picture. Both were in partnership with well-established public property companies and we continue to enjoy excellent relations with such companies, whose expertise we respect.

Our own property developments are the responsibility of our wholly owned subsidiary, Abacus Developments. This company had an extremely busy year both on its own and with partners whom it has involved in various schemes. Construction of a major office block at Staines and of a further phase at Leeds were completed and the Piccadilly project was substantially completed. Work is under way on office buildings in Reading and Leeds. Projects in the planning stage include a major retail complex at Hemel Hempstead, a shopping centre at Kirkcubrecht and others in Central London, Leeds, Bognor Regis and Hayes.

Our Australian interests, performed very satisfactorily with the 50% owned Sydney Intercontinental doing deservedly well. The expansion of our already considerable interests in Western Australia and the Northern Territories continued. The opportunity was taken to sell Hamersley House, a 30-35 year old office block in Perth, Western Australia at an advantageous price and re-deploy the proceeds in nearby new development projects. The profit from this sale accounts for much of our below-the-line extraordinary profit figure.

Our Florida developments proceeded steadily in an unexceptional year, though activity quickened towards its close. Planning continued for the re-development of the building on Fifth Avenue, New York, where Greycoat Estates have come in as managing partner to join Lynton and ourselves.

John Green (cont)

Newarthill p.l.c.

and Subsidiary Companies

Subsidiary Companies

The following companies were the main subsidiaries at 31st October 1987 and, except where otherwise stated, were incorporated, registered and operated in England and were wholly owned.

Principal Subsidiaries:

Sir Robert McAlpine & Sons, Limited	(civil engineering and building)
Brickworth Developments Limited	(property development)
Sir Robert McAlpine & Sons (C.T.I.) Limited	(property and investments)

Other Subsidiaries:

Civil Engineering and Building

Sir Robert McAlpine & Sons (North Eastern) Limited	
Sir Robert McAlpine & Sons (Wales) Limited	
Sir Robert McAlpine & Sons (Yorkshire) Limited	
Sir Robert McAlpine Construction Management Limited	
Sir Robert McAlpine Management Contractors Limited	
McAlpine Limited	Cayman Islands
Lee Constructions Limited	

Property and Investments

Sir Robert McAlpine & Sons (Trade Investments) Limited	
Atacus Developments Limited	
Colguy Holdings Limited	
Herbrand Investments Limited	
Seville Holdings Limited	Cayman Islands
McAlpine Park Lane Inc.	U.S.A.
River Road Investments Limited	
Southern Properties Pty., Limited	Australia
Australian City Properties Limited	Australia
Two Parks Development Limited (90%)	

Other Activities:

McAlpine Aviation Limited	
McAlpine Helicopters Limited	
McAlpine Humberoak Group Limited	Scotland

Note: The principal subsidiaries are direct subsidiaries of the parent company. The remaining companies are owned by the principal subsidiaries.

Newarthill p.l.c.

FORM OF PROXY

I/We of
being (a) Member(s) of Newarthill p.l.c. hereby appoint Sir John Hedley Greenborough or, failing him, Sir Robin McA Alpine or, failing him, Malcolm H D McA Alpine, all directors of the Company,
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 26th May 1988 and at any adjournment thereof. Please indicate with an X in the spaces provided how you wish your votes to be cast on the resolutions specified.

Ordinary Business		For	Against
1	To adopt the Directors' Report and Financial Statements for the year ended 31st October 1987.		
2(i)	To declare a dividend on the Ordinary Shares as recommended.		
2(ii)	To declare a special dividend on the Ordinary Shares as recommended.		
3(i)	To re-elect Sir Robin McA Alpine CBE a director.		
3(ii)	To re-elect Malcolm H D McA Alpine a director.		
3(iii)	To re-elect Kenneth McA Alpine DL a director.		
4	To reappoint Touche Ross & Co. as Auditors of the Company and to authorise the directors to fix their remuneration.		
Special Business			
5	To authorise the Company to purchase not more than 500,000 ordinary shares at a price of not less than £1 per ordinary share nor more than a price 5% above the average middle market quotation of the shares listed on the London Stock Exchange for, as derived from The Daily Official List, the ten business days preceding the day on which the ordinary shares are purchased.		

In the absence of any specific direction the proxy will vote or abstain as he thinks fit.

Signed this day of 1988

Name in BLOCK CAPITALS

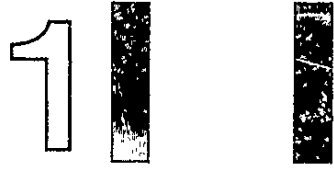
Signature

Notes:

- (1) In the case of joint holders the signature of any one joint holder is sufficient.
- (2) To be valid this proxy must reach the Transfer Office of the Company at 30 Lombard Street, London EC3B 3AE not later than 12.30 p.m. on 24th May 1988.
- (3) If you wish to appoint a proxy other than those named above please delete their names, insert the name of your proxy in the space provided and initial it.
- (4) If the appointer is a corporation this proxy may be executed under its common seal, or under the hand or seal of an officer of the corporation so authorised.

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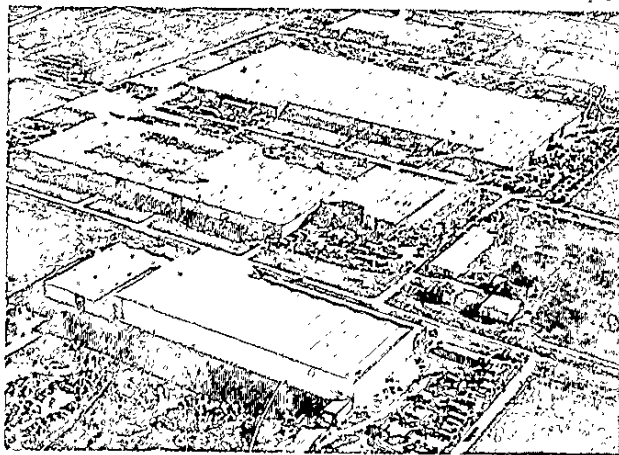
BUSINESS REPLY SERVICE
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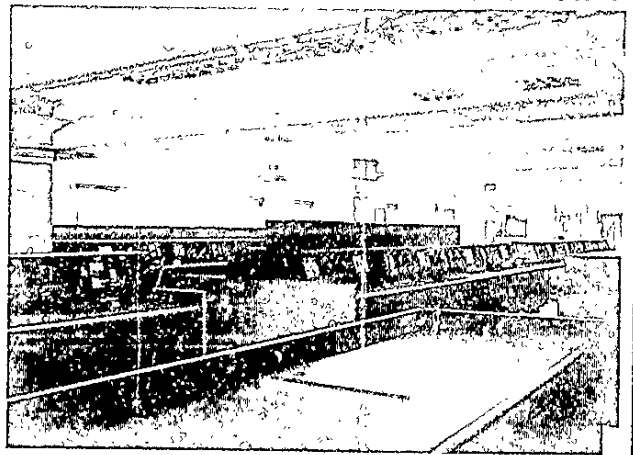
CLYDESDALE BANK PLC,
REGISTRAR DEPARTMENT,
30 LOMBARD STREET,
LONDON EC3B 3AE

First Fold

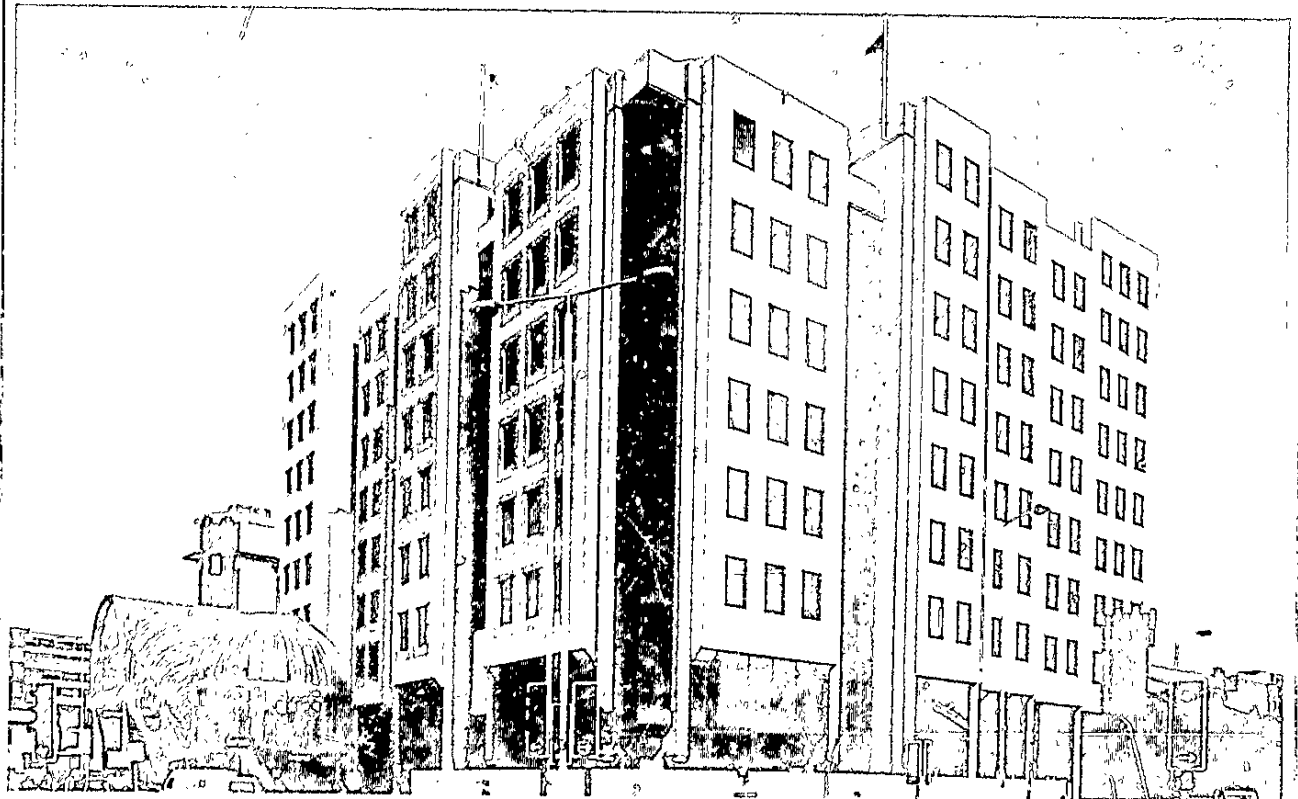
Second Fold



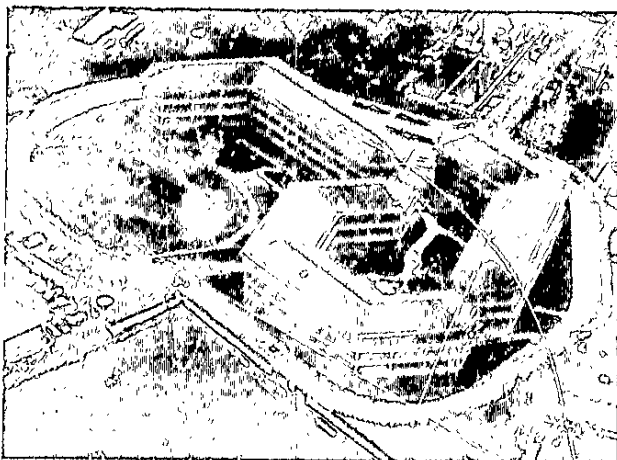
NISSAN MOTOR MANUFACTURING CO. LTD. WASHINGTON



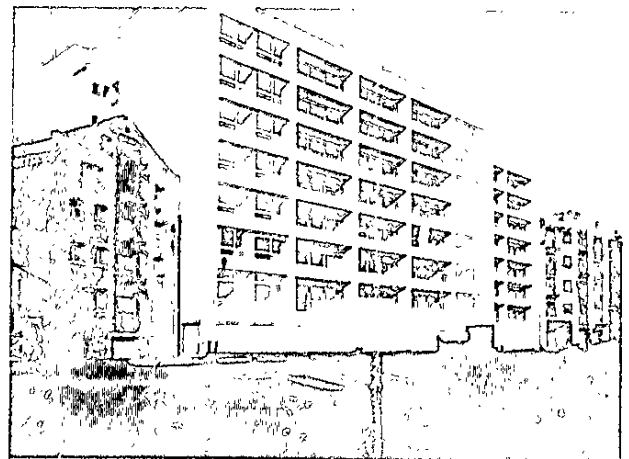
180, OXFORD STREET, LONDON



WASHINGTON BUILDING



WASHINGTON BUILDING



WASHINGTON BUILDING