Registration number: 02754943

Sir Robert McAlpine (Holdings) Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 October 2021

Sir Robert McAlpine (Holdings) Limited

Contents

Sir Robert McAlpine (Holdings) Limited

Company Information

Directors	Hector G McAlpine R Edward T W McAlpine
Company secretary	Kevin J Pearson BSc., ACA John A Dempsey BA, ACMA, CGMA
Registered office	Eaton Court Maylands Avenue Hemel Hempstead Hertfordshire HP2 7TR United Kingdom
Auditor	Mazars LLP Statutory Auditor 30 Old Bailey London United Kingdom EC2M 7AU

Sir Robert McAlpine (Holdings) Limited

Strategic Report for the Year Ended 31 October 2021

The Directors present their strategic report for the year ended 31 October 2021.

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

Fair review of the business
Despite the challenges that the Group has faced throughout the year, our business strategy has proved its resilience and shown that it has the agility to evolve and respond to the ever-changing demands of external markets.

UK construction

Following the onset of the global pandemic in 2020 and the necessary decisions taken by our UK construction business to right size and navigate its way through this challenging period for both the UK and wider global economy, 2021 was very much a year of robust recovery as activity levels and new enquiries across the sector bounced back to pre-pandemic levels. This has been tempered however in the form of increased inflationary pressures and supply chain challenges affecting almost all global economies as we enter the new financial year.

Projects that Sir Robert McAlpine Limited completed over the last year, include Mustard Wharf, the first Build to Rent development in the South Bank area of Leeds, a landmark office development at the Spark in Newcastle, new private hospital facilities sitting opposite Buckingham Palace Gardens in the heart of Belgravia for the Cleveland Clinic and award winning schemes as part of M6 Junction 19 improvements, delivered in joint venture with Amey as one of Highway England's Delivery Integration Partners.

Looking forward Sir Robert McAlpine have won or commenced work on several notable projects including the highly prestigious restoration of The Ritz. Residential schemes at Tower Works in Leeds. Commercial office space at The Forge in London, the world's first large scale office scheme to be built using a standardised "kit of parts" and One Centenary Way, a complex 12-storey 265,000 sq.ft commercial building located directly above the Queensway tunnel in Birmingham City Centre. In healthcare, the Springfield University Hospital development will provide two new mental health facilities in Tooting, South London, the Douglas Bennett House and Children & Young Persons unit, a purpose-built mental health facility in Southwark, London and the BEACH, Royal Bournemouth Hospital is a complex development which will become the major emergency hospital for Dorset.

As part of the Align joint venture, Sir Robert McAlpine is working alongside Bouygues Travaux Publics and VolkerFitzpatrick to deliver the UK's longest railway bridge - the Colne Valley Viaduct Stretching for 3.4km across a series of lakes and waterways just outside London, the viaduct will carry high speed trains as part of the HS2 project, between London, Birmingham and the North, to boost the economy and provide a low carbon alternative to car and air travel.

Caribbean construction
Whilst the pandemic also slowed the construction market in the Caribbean, our business there, although a small part of the group, remains profitable.

Financial performance
The Group's key financial indicators are turnover, profit and cash and these are discussed below.

- Group turnover was £976.6m (2020: £845.8m).
- The profit before taxation and exceptional items was £7.5m (2020: loss of £19.7m).
- The profit after taxation and after exceptional items was £6.0m (2020: loss of £21.5m).
- Group cash was £151.8m (2020: £136.9m).

Taxation
The Group has a tax charge of £1.4m (2020: credit of £3.9m).

Cash
The Group had cash balances of £151.8m (2020: £136.9m) at the year end.

Outlook
The Group continues to have a strong net cash balance with strong liquidity management continuing to mitigate the trading impact of COVID-19 and we remain well placed to exploit opportunities within its chosen sectors, supporting key clients. The Group has no debt facilities that are repayable on demand and is not subject to any debt covenants or other restrictions and will continue to prioritise profitability and liquidity over pure turnover growth. The Group has seen a robust return to profitability aided by the increase in construction revenue compared to 2020 as the impact of the pandemic subsided following the widespread rollout of vaccines and the normalisation of wider economy activity. New business tenders continue at pace, and the awarding of work has continued to be better than was prudently forecast during the pandemic.

Section 172 Companies Act 2006
The Directors have complied with the requirements of Section 172 Companies Act 2006 and in doing so have considered, amongst other matters, the following:

a | The likely long-term consequences of any decisions:

The Board monitors its strategy on an ongoing basis, using the Group's financial Key Performance Indicators re profitability and liquidity. The performance of the Group's construction operations are also measured against non-financial "Build Sure" strategic targets, to ensure that the Group remains on course to deliver its vision. The Build Sure commitment sets out five clear targets against which projects are measured - quality, safety, sustainability, and delivery both on time and on budget.

b | The interests of the employees:

The Group considers that an engaged workforce, where every employee understands the key role they play in delivering our business strategy, is essential. Through transparent and proactive communications, the Group aims to ensure that our people have full clarity on our business performance and how each contribution affects it. Aligning with our strategic objective to become the Best Place to Work, the Board has also continued to promote a truly inclusive culture where everyone feels welcome and can reach their full potential

The Group continues to use various channels to communicate with the Group's employees whether office or site based. This can be seen in the simplification of our strategy and bringing it to life with the "Constructing our Future" campaign which has enabled us to get buy-in from our people and monthly pulse surveys anonymously capture the sentiment of each employee on a range of strategic topics allowing the Board to take the necessary measures in a timely manner. Consequently, we believe we have an engaged workforce with more than 1,200 employees on average joining the Annual Conference and subsequent Quarterly Team Briefings.

c | The need to foster the Group's business relationships with suppliers, customers and others:

As a 153-year old family owned business with strong values, we aim to treat our clients and our supply chain partners like an extended part of our family. It is part of our business strategy to maintain sustainable and trustworthy relationships with them. The ways in which we have engaged with our clients and supply chain partners include: newsletters, inclusion reports, client satisfaction surveys, events such as topping out and ground-breaking ceremonies, technical webinars, meetings, site visits and being signed up to the Government's Prompt Payment Code and committing to paying invoices within 30 days.

This engagement has numerous benefits that can be seen in an improved customer Net Promoter Score of 50, assisting in developing the skills and competences of our supply chain partners, 24 labour practice audits, raising awareness amongst our subcontractors of measures to tackle Modern Slavery and an average time to pay suppliers reduced from 30 to 27 days.

d | The impact of the Group's operations on the community and environment:

We aim to have a positive impact on both the environment and the local community in which we operate. The Group recognises that the climate emergency poses a threat to us all, and that we have a duty to decarbonise our operations in a way that is scientifically validated. As a result we have signed the Science Based Targets initiative in line with a 1.5o future and are defining targets to monitor our journey to Net Zero Carbon.

Furthermore, the Group has backed a number of initiatives to support communities where the pandemic has exacerbated the need for support, with grassroot projects and local charities, including allocating funds to support Maggie's Centres, the Construction Youth Trust, and our Strong Foundations campaign. These actions have seen us committed to raising £1 million over ten years for Maggie's Centres, donating over £100,000 to 40 community projects across eight UK locations and teaming up with Semble and the ActionFunder platform as part of our Strong Foundations campaign. A Social value calculator is employed so we have measurable social value outputs on each project.

e | The desirability of the Group maintaining a reputation for high standards of business conduct:

The Board takes an active role in supporting cross-industry collaboration and contributing to Government's consultation for the benefit of our employees, our clients, our supply chain partners, as well as the wider society and economy.

We play an active role in leading industry organisations such as Build UK and CLC, have submitted responses to the Government's consultation on flexible working and National Digital Strategy consultation, hosted a roundtable on flexible working with representatives from Parliament and Industry and are a Founder member of the Construction Data Trust and Project Data Analytics Task Force

This has led to proactive collaboration with the industry throughout the pandemic, published research on the economic benefits of flexible working to the UK economy, a visible campaign to make flexible working available from Day 1 across industry and beyond and proactive collaboration to advance Project Data Analytics in construction.

Principal risks and uncertainties

The approach to identification and management of principal risks is integral to the delivery of our strategic objectives. The risk management approach adopted is not designed to eliminate risk entirely, but provides a means to identify, prioritise and manage risks and opportunities in accordance with the Group's risk appetite.

On behalf of the Board, the Risk Committee reviews the Group's risk register quarterly, ensuring both the relevance of existing risks, and the capturing of emerging risks on a timely basis, and that appropriate mitigation plans are put in place. The principal risks of the Group are set out below:

Inflation of costs on labour and materials across the construction sector

Brexit, and the tail off of Covid-19 have combined to significantly impact both the availability and distribution of materials, and the supply of appropriately qualified labour resource. These factors have led to shortages and consequent inflationary cost pressures. The Board continues to monitor the effects of the recent Russian invasion of Ukraine, which could give rise to further constraints on the availability of materials and additional inflationary pressure on the costs of energy and materials. This could lead to availability issues and rising costs can jeopardise the Group's ability to win new business, putting at risk its ability to deliver on its contracts within agreed timescales whilst still generating a satisfactory return on those contracts.

The Group monitors closely the supply chain issues faced within the sector. Measures instigated include conditionality clauses within the pricing of its new contracts.

Build quality issues

The risk of quality issues arising out of defective work, due in part to insufficient resource at the design and planning stage, could result in remedial costs and reputational damage relating to defects on legacy contracts. There is an increased focus on management of the technical competencies of staff in key roles, and the revision of project-level technical management processes.

The upcoming Building Safety Bill ("BSB")

The risk is the failure to put arrangements in place to deliver the appropriate records to demonstrate compliance with the BSB, and to prove the required level of staff competency which in turn would lead to the Group's inability to achieve starts on contract sites and handovers on completion.

The Group now has more clarity on the upcoming legislative requirements of the BSB and is better equipped from a management systems perspective to implement these requirements. Work is underway to strengthen our technical competence and traceability of products and systems that we procure.

Systems and data protection

The risk of a Major IT systems failure or a cyber-attack, could lead to users unable to undertake work because of one or a series of systems outages, therefore unable to access construction drawings, specifications, Digital Construction data, commercial information, and to process payments to subcontractors. The implications of this can be both contractual and compliance-related.

The risks are well understood, and a set of measures is being implemented by the Business Systems function, to reduce the vulnerability of the Group to an acceptable level. A cyber security policy is in place, and cyber training modules have been developed and rolled out to raise awareness and to minimise potential risks. Software is in place to warn users of potential issues and threats, and to track and trace as needed. Recertification of Cyber Essentials has been obtained during the year.

Sir Robert McAlpine (Holdings) Limited

Strategic Report for the Year Ended 31 October 2021

Health & Safety
The risk of a Major work-related incident that could lead to prosecution, fines, loss of reputation and consequential impact on future work-winning. Additional resource has been provided to implement an approved strategy.

Management of the SRM brand and reputation
The Group has been in existence for over 150 years, with a widely-recognised brand and reputation. Adverse events and negative publicity put these attributes at risk and result in the loss of work-winning, and less employee-attraction and retention. A Crisis Management Plan has been developed, a brand strategy is in place, and legacy issues are being actively monitored.

Attraction, retention and development of high-quality staff with the necessary talent, capability and experience
The risk is a loss of key talent leading to a lack of available skilled resources in the employment market and supply chain for the Group to meet client demand. A Strategy has been approved to ensure we are able to attract and retain the resource required, including gender-neutral CVs to support diversity and inclusion and remuneration is benchmarked externally.

Competitive environment
The risk is a lack of awareness of customer needs and competitor offerings resulting in a loss of competitive position, resulting in reduced work-winning. Account management and customer feedback processes are in place. Competitor analysis activity is planned for development.

Defined Benefit pension scheme
The Group participates in two defined benefit pension schemes, both of which have a deficit. The risk is a failure to manage the schemes, such that the Pension Regulator imparts a cash-prohibitive recovery regime on the Group. A long-term funding strategy has been agreed with scheme Trustees to mitigate the deficit over a 13-year horizon. Independent expert advice is obtained as part of the Group's ongoing deficit-management strategy, and in the monitoring of investment performance

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.

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 26.5.22 and signed on its behalf by:

H McA

Hector G McAlpine
Director

Sir Robert McAlpine (Holdings) Limited

Directors' Report for the Year Ended 31 October 2021

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 October 2021.

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:

R Edward T W McAlpine

Hector G McAlpine

Results and Dividends
The profit for the year before taxation amounted to £7,305,000 (2020: loss of £25,381,000). No interim dividends were paid during the year (2020: £nil). The Directors do not recommend the payment of a final dividend (2020: £nil).

Strategic report
The Company is required by section 414A of the Companies Act 2006 to present a Strategic report in the Annual Report. The Strategic Report for 2020-21 is set out on pages 2 to 5.

Stakeholder engagement
The Group's stakeholders include not just its shareholders but also its employees, its customers, its suppliers and a number of other interested parties. The Board recognises that it needs to address the interests of its employees, and to foster its business relationships with suppliers, customers and others, and the manner in which these interests and relationships are dealt with by the Directors is set out above, in the Strategic Report, under Section 172 Companies Act 2006 (b) and (c) respectively.

Equal opportunities
The Group gives full and fair consideration to applications for employment made by 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 which they can perform despite their disabilities.

The Group is an active equal opportunities employer and promotes and environment free from discrimination and victimisation. 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. The Group is committed to growing a diverse pool of talent for the purposes of long-term succession planning.

Health, Safety and Wellbeing
The Directors are committed to the effective management and monitoring of health and safety, to providing a safe working environment for employees, and to keeping members of the public with whom the Group comes into contact free from harm. Further details regarding Health and Safety can be found in the Strategic Report on page 5.

Research and development
The Group has a continuous program of research into and development of its construction methods and techniques, focussing on the efficiency and safety of materials used, energy consumed and working practices.

Share Capital
Details of the Group's share capital are set out in note 24 to the financial statements.

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

Energy and carbon reporting

The table below represents our energy use and associated emissions from electricity and fuel in the UK for the 2021 reporting year. The scope of this data includes all of our construction sites and both permanent and temporary offices.

Emissions reported correspond with our financial year and include all areas for which we have operational control in the UK, excluding joint ventures. Our boundary included full Scope 1 and 2 as well as Scope 3 business travel (where the company is responsible for purchasing the fuel) emissions. The emission factors used to calculate our emitted CO2e are UK Government Conversion Factors for greenhouse gas (GHG) reporting for both 2020 and 2021 as well as market-based emissions factors, where available.

	Items	2020 Restated		2021	
		kWh	tCO2e	kWh	tCO2e
01	Emissions from combustion of gas (Scope 1)	7,607,227	1,399	4,189,668	768
02	Emissions from combustion of fuel for transport purposes (Scope 1)	9,725,544	2,435	11,475,428	2,881
03	Emissions from electricity purchased for own use, including the purposes of transport (Scope 2)	15,977,742	1,195	15,720,749	1,695
04	Emissions from business travel (Scope 3)	4,319,434	1,088	4,589,504	1,138
	Total gross tCO2e based on above		**6,117**		**6,482**
05	Energy consumption used to calculate emissions	**37,629,947**		**35,975,349**	
06	Tonnes of CO2e per £m revenue		7.46		6.92

In 2021, we committed to developing a GHG reduction programme in line with the Science Based Target Initiative (SBTi). In pursuit of this commitment, we have undertaken a full carbon-accounting process review, which has resulted in the refinement of our procedures and processes.

For transparency, we have re-run the carbon footprint calculations for both historic and current performance. As a result, our 2020 figures have been revised from those previously published. We continue to develop our expertise and processes to better understand and reduce our impacts, pursuing opportunities to improve our reporting of carbon emissions across our business.

This year saw an absolute increase in tCO2e reported from our baseline. Predictably, analysis of the data attributes this increase partly down to a return to pre-pandemic levels of activity across our sites and offices. However, the most significant contributor is the way in which carbon emissions from our electricity use are calculated and reported.

To calculate these emissions, we've moved from using standard government conversion factors to market-based ones. Encouragingly our energy consumption has decreased this year. However, our transition to zero-carbon energy for all our activities continues, and the change to market-based emissions has highlighted the emissions impact of the few electricity supplies we use which are not zero carbon.

We continue our transition to a single zero carbon electricity supplier. Encouragingly, by way of illustration, had this transition been complete, we would have delivered a 3% reduction in overall carbon emissions this year.

Whilst our absolute carbon emissions have increased, due to the factors described above, both our absolute energy consumption and carbon intensity (tCO2e per £m revenue) have decreased in the last year. A signal that our carbon reduction programmes, and energy efficiency actions are delivering improvements.

Climate change risk and our responses
Climate change continues to pose a significant risk to our business over the short, medium and long term, though, for example, the impacts of extreme weather events and supply chain shortages on our operations, and increased regulation and oversight, which if not addressed will significantly affect our business.

With the built environment contributing 40% of global carbon emissions, our industry has a significant role to play in addressing the climate crisis. Our focus is around two overarching objectives:
1) Measuring and reducing our carbon footprint in line with our aspiration to reduce our carbon emissions, and become Net Zero Carbon (NZC)
2) Evolving our design, procurement and construction practices to deliver lower carbon solutions for our clients and reduce the built environment's carbon emissions

To reduce our exposure to risk we need to embed meaningful, lasting change within our organisation. We developed a set of carbon principles to guide us through the development and delivery of our carbon reduction programmes.
These principles are:
Don't delay - Don't let the magnitude of the task delay action
Collaborate - We collaborate across the Group and the wider industry
Be Brave - We have to do things differently and embrace change
Reduce - We need to reduce our emissions and not settle for offsetting alone
Transparency - Our approach will be open, honest and transparent
Emission reduction and accelerating the decarbonisation of our activities are key drivers of our company Sustainability Strategy. Our journey to reducing carbon emissions began in 2016 and now we see ourselves in "Phase 2" of our Pathway to NZC.

Climate change risks (continued)
We have conducted full Scope 1, 2 & 3 emissions benchmarking in line with our commitment to developing a 1.5oC warming scenario carbon reduction programme certified by the SBTi. This, coupled with our revised GHG Protocol Corporate Standard compliant carbon accounting will ensure that our strategy, tools and reporting are future proofed, thus reducing our exposure to climate risk. With risk comes opportunity, and we're growing our skills and expertise in delivering low carbon solutions through design, procurement and construction.

Key to the expansion of our capabilities has been the trial and implementation of a Whole Life Carbon (WLC) tool for our business which will enable us to accurately measure carbon emissions and assess associated risks in the delivery of our operations. The aggregated information and performance data also enables us to accurately forecast, manage and reduce WLC emissions, giving us confidence that we can deliver reduced emissions and meet any requirements placed upon us.

We have also appointed a Carbon Manager to work within our Sustainability Department to lead the assessment, management and reduction of our carbon emissions, and our transition to a NZC business model. This transition will build resilience against future legislative changes and tax reforms implemented by the Government in support of their commitment for the United Kingdom to be NZC by 2050. Aligned to our Carbon Principles, we will continue to be a strong advocate for the industry and wider business to address climate change as a collective, sharing best practice and communicating lessons learnt in an open and transparent way.

Donations
During the year the Group made no political donations (2020: £nil).

Going concern
The company has net current liabilities as at 31 October 2021 and is reliant on the support of Sir Robert McAlpine Limited to be able to meet its liabilities as they fall due. Sir Robert McAlpine Limited have provided a letter stating their intent to provide the necessary financial support to ensure that the company is a going concern for at least twelve months from the date of signing these financial statements. The Group has considerable financial resources and carries only non-recourse debt. The Directors have prepared cashflow forecasts to 31 October 2023, showing a base case with a downside scenario modelled against this. For the Construction business, the base case shows the cashflow generated from secured and nearly-secured contracts and short-term working capital needs. The downside scenario demonstrates the effect of reduced order intake, delayed settlements and increased remedial cash outflows. This was designed to establish a pessimistic but plausible downside and demonstrates that sufficient cash headroom can be maintained throughout this period.

Brexit was considered by the Directors, but after more than a year since its inception there are no further concerns regarding its impact on the construction business or the wider Group. Climate change, and the steps that the Group is taking to address this issue, are dealt with separately, but the matter is not considered likely to have any impact on our customers or supply chain such as to cast doubt on the financial forecasts referred to above. The recent invasion of Ukraine by Russian military forces, which has increased short-term energy prices throughout the UK and Europe and may add further to the current inflationary cycle, has caused significant uncertainty in financial markets worldwide but is not considered to be a significant threat to the Group or our cash flow, with all of our business both generated and conducted in the UK.

Taking all of the above matters into consideration, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and 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.

Resignation and appointment of Independent Auditor
On 20 August 2021 Deloitte LLP resigned as the Company's Independent Auditor, and Mazars was appointed as the Company's Independent Auditor in accordance with section 487 of the Companies Act 2006.

Post balance sheet events
On 24 February 2022, an invasion of Ukraine by Russian military forces commenced, which has to date given rise to increased energy and commodity prices throughout the UK and Europe and significant uncertainty in financial markets worldwide. The Group has assessed, and will continue to assess the implications of the events in Ukraine, but currently there is considered to be no material impact on the business's financial performance or position.

Approved by the Board on 26.5.22 and signed on its behalf by:

....
John A Dempsey BA, ACMA, CGMA
Company secretary

Sir Robert McAlpine (Holdings) Limited

Statement of Directors' Responsibilities

The Directors are responsible 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 UK 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.

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

Opinion
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 2021 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
• give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2021 and of the group's profit for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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

We have nothing to report in this regard.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
• adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation and health and safety regulation, anti-bribery regulation, anti-money laundering regulation, general data protection regulation, building regulations and non-compliance with implementation of government support schemes relating to COVID-19.

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

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:
• Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
• Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
• Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
• Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition and contract provisions, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:
• Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
• Gaining an understanding of the internal controls established to mitigate risks related to fraud;
• Discussing amongst the engagement team the risks of fraud; and
• Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

....
David Herbinet (Senior Statutory Auditor)
For and on behalf of Mazars LLP,
Statutory Auditor
London
United Kingdom
EC2M 7AU

Date: 27 May 2022

Sir Robert McAlpine (Holdings) Limited

Consolidated Profit and Loss Account for the Year Ended 31 October 2021

	Note	Before exceptional item 2021 £ 000	Exceptional item* 2021 £ 000	2021 £ 000	Before exceptional item 2020 £ 000	Exceptional items* 2020 £ 000	2020 £ 000
Turnover	3	976,570	-	976,570	845,056	699	845,755
Cost of sales		(951,562)	(240)	(951,802)	(850,217)	(1,275)	(851,492)
Gross profit/(loss)		25,008	(240)	24,768	(5,161)	(576)	(5,737)
Administrative expenses		(18,195)	-	(18,195)	(20,878)	(5,077)	(25,955)
Other operating gains	4	1,937	-	1,937	9,504	-	9,504
Operating profit/(loss)	6	8,750	(240)	8,510	(16,534)	(5,653)	(22,187)
Interest receivable and similar income	8	247	-	247	627	-	627
Amounts written off investments	5	(1,170)	-	(1,170)	(3,250)	-	(3,250)
Interest payable and similar charges	9	(245)	-	(245)	(536)	-	(536)
		(1,168)	-	(1,168)	(3,159)	-	(3,159)
Share of loss of equity accounted investees		(37)	-	(37)	(34)	-	(34)
Profit/(loss) before tax		7,545	(240)	7,305	(19,728)	(5,653)	(25,381)
Taxation (charge)/ credit	13	(1,399)	46	(1,353)	2,798	1,074	3,872
Profit/(loss) for the financial year		6,146	(194)	5,952	(16,930)	(4,579)	(21,509)

*Exceptional items are explained in Note 7 to the financial statements.

The above results were derived from continuing operations.

Sir Robert McAlpine (Holdings) Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 October 2021

	2021 £ 000	2020 £ 000
Profit/(loss) for the financial year	5,952	(21,509)
Unrealised loss on cash flow hedges	-	(5)
Foreign currency translation losses	(2,482)	(298)
Remeasurement gain/(loss) on post-retirement medical scheme	106	(165)
Deferred tax relating to remeasurement loss on post-retirement medical scheme	(14)	31
	(2,390)	(437)
Total comprehensive income/(loss) for the year	3,562	(21,946)
Total comprehensive income/(loss) attributable to:		
Equity shareholders of the company	3,562	(21,946)

Sir Robert McAlpine (Holdings) Limited

(Registration number: 02754943)
Consolidated Balance Sheet as at 31 October 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	14	1,271	-
Tangible assets	15	38,917	40,809
Investments	16	3,147	3,650
Other financial assets	17	947	4,290
		44,282	48,749
Current assets			
Stocks	18	5,306	5,589
Debtors within less than one year	19	226,906	223,675
Debtors after more than one year	19	21,040	26,780
Cash and cash equivalents	20	151,770	136,886
		405,022	392,930
Creditors: Amounts falling due within one year	21	(304,914)	(284,784)
Net current assets		100,108	108,146
Total assets less current liabilities		144,390	156,896
Creditors: Amounts falling due after more than one year	21	(12,356)	(19,246)
Provisions for liabilities	22	(24,374)	(33,379)
Net assets excluding post-retirement medical scheme		107,660	104,271
Post-retirement medical scheme	23	(5,416)	(5,589)
Net assets		102,244	98,682
Capital and reserves			
Called up share capital	24	78,050	78,050
Other reserves		39,563	42,045
Profit and loss account		(15,369)	(21,413)
Total equity		102,244	98,682

Approved and authorised for issue by the Board on 26.5.22 and signed on its behalf by:

....

Hector G McAlpine

Director

The notes on pages 21 to 45 form an integral part of these financial statements.

Sir Robert McAlpine (Holdings) Limited

(Registration number: 02754943)
Company Balance Sheet as at 31 October 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Tangible assets	15	9,240	9,748
Investments	16	83,094	83,094
		92,334	92,842
Current assets			
Debtors due in less than one year	19	113,442	88,839
Debtors due in more than one year	19	318	237
Cash and cash equivalents	20	10,018	10,018
		123,778	99,094
Creditors: Amounts falling due within one year	21	(141,593)	(109,150)
Net current liabilities		(17,815)	(10,056)
Net assets		74,519	82,786
Capital and reserves			
Called up share capital	24	78,050	78,050
Other reserves		5,599	5,641
Profit and loss account		(9,130)	(905)
Total equity		74,519	82,786

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 £8,426,000 (2020 - loss of £1,967,000).

Approved and authorised for issue by the Board on 26.5.22 and signed on its behalf by:

H-Mad

Hector G McAlpine

Director

The notes on pages 21 to 45 form an integral part of these financial statements.

Sir Robert McAlpine (Holdings) Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 October 2021
Equity attributable to the parent company

	Share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 November 2019	78,050	42,348	230	120,628
Loss for the year	-	-	(21,509)	(21,509)
Other comprehensive loss	-	(303)	(134)	(437)
Total comprehensive (loss)/income	-	(303)	(21,643)	(21,946)
At 31 October 2020	78,050	42,045	(21,413)	98,682

	Share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 November 2020	78,050	42,045	(21,413)	98,682
Profit for the year	-	-	5,952	5,952
Other comprehensive loss	-	(2,482)	92	(2,390)
Total comprehensive loss	-	(2,482)	6,044	3,562
At 31 October 2021	78,050	39,563	(15,369)	102,244

The notes on pages 21 to 45 form an integral part of these financial statements.

Sir Robert McAlpine (Holdings) Limited

Company Statement of Changes in Equity for the Year Ended 31 October 2021

	Share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2019	78,050	5,842	856	84,748
Loss for the year	-	-	(1,967)	(1,967)
Foreign currency translation gains/(loss)	-	-	5	5
Total comprehensive loss	-	-	(1,962)	(1,962)
Transfers	-	(201)	201	-
At 31 October 2020	78,050	5,641	(905)	82,786

	Share capital £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2020	78,050	5,641	(905)	82,786
Loss for the year	-	-	(8,426)	(8,426)
Foreign currency translation gains/(loss)	-	159	-	159
Total comprehensive income/(loss)	-	159	(8,426)	(8,267)
Transfers	-	(201)	201	-
At 31 October 2021	78,050	5,599	(9,130)	74,519

Sir Robert McAlpine (Holdings) Limited

Consolidated Statement of Cash Flows for the Year Ended 31 October 2021

	Note	2021 £ 000	2020 £ 000
Net cash generated from operating activities		22,432	26,583
Cash from investing activities			
Interest and dividends received	8	247	614
Acquisition of tangible assets	15	(5,147)	(4,510)
Proceeds from sale of tangible assets		1,431	1,158
Acquisition of intangible assets	14	(1,284)	-
Acquisition of other financial assets	17	(500)	(334)
Net cash (used in)/from investing activities		(5,253)	(3,072)
Cash flows from financing activities			
Interest paid	9	(245)	(536)
Receipts from finance lease debtors		1,217	-
Payments to finance lease creditors		(2,545)	(2,867)
Net cash used in financing activities		(1,573)	(3,403)
Net increase in cash and cash equivalents		15,606	20,107
Cash and cash equivalents at 1 November		136,886	116,875
Effect of exchange rate fluctuations on cash held		(722)	(96)
Cash and cash equivalents at 31 October		151,770	136,886

The notes on pages 21 to 45 form an integral part of these financial statements.

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 are presented in pounds sterling, rounded to the nearest thousand, and have been prepared using the historical cost convention except, as disclosed in the accounting policies, in respect of Joint ownership properties which are included at valuation.

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 11.42, 11.44, 11.45, 11.47, 11.48a(iii), 11.48B and 11.48C and paragraphs 12.26, 12.27, 12.29A and 12.29B, as the information is provided in the consolidated financial statements disclosures.

Basis of consolidation
The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 October 2021.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006.

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. Subsequent changes to the measurement of contingent consideration are recognised as an adjustment to the cost of the business combination.

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 company has net current liabilities as at 31 October 2021 and is reliant on the support of Sir Robert McAlpine Limited to be able to meet its liabilities as they fall due. Sir Robert McAlpine Limited have provided a letter stating their intent to provide the necessary financial support to ensure that the company is a going concern for at least twelve months from the date of signing these financial statements.

The Group has considerable financial resources and carries no debt. Following the COVID-19 pandemic, the Directors have prepared cashflow forecasts to April 2023 showing a base case with a downside scenario modelled against this. The base case shows the cashflow generated from secured and nearly secured contracts, government assistance on COVID-19 related schemes and short term working capital needs. The downside scenario demonstrates the effect of reduced order intake, delayed settlements and increased remedial cash outflows. This was designed to establish a pessimistic but plausible downside and demonstrates that sufficient cash headroom can be maintained throughout this period.

Brexit was considered by the Directors, but after more than a year since its inception there are no further concerns regarding its impact on the construction business or the wider Group. Climate change, and the steps that the Group is taking to address this issue, are dealt with separately, but the matter is not considered likely to have any impact on our customers or supply chain such as to cast doubt on the financial forecasts referred to above. The recent invasion of Ukraine by Russian military forces, which has increased short-term energy prices throughout the UK and Europe and may add further to the current inflationary cycle, has caused significant uncertainty in financial markets worldwide but is not considered to be a significant threat to the Group or our cash flow, with all of our business both generated and conducted in the UK.

Taking this into account, the directors have a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for at least 12 months from the date of approval of financial statements. 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 area of accounting judgement is:

Accounting for properties within Stocks: 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 the lower of cost and net realisable value.

Significant areas of estimation uncertainty 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 Company has incorporated significant judgements over contractual entitlements. To a large extent, the Company's profitability depends on costs being accurately calculated and controlled, and projects being completed on time. The cost calculations made at the project portfolio-level are subject to a number of assumptions. Therefore, if the estimate of the overall risks or calculations of the revenues or costs of one or more contracts prove inaccurate or circumstances change, this could result in a positive or negative change to underlying profitability and cash flow.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will arise against which the temporary differences will be utilised. Management estimates are required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits as derived from the Group's budgets and forecasts. £2,488k of £10,482k deferred tax assets recognised at 31 October 2021 is expected to be recoverable within 12 months, but this recoverable amount is subject to achievement of forecast taxable profits in the financial year then ended.

Provisions: Provisions (see note 22) are made for the costs expected to be incurred on completed contracts where remedial works have been identified. 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 related cash outflows and discounting, unless material, has therefore not been applied.

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 7].

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 jointly controlled operations.

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 the contracts progress.

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.

Government grants
The Group benefits from Research & Development Expenditure Credits receivable from the UK Government, in respect of eligible expenditure during the period. These grants are recognised on an accruals basis as income during the year.

Other grants
In a similar manner, during the current financial year the Group was able to claim certain employment costs in respect of "furloughed" staff, under the Government's "Coronavirus Job Retention Scheme". Such grants are also recognised on an accruals basis as income during the current financial year.

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.

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

Internally-generated assets are recognised at cost less accumulated amortisation and impairment losses.

Amortisation is recognised on a straight-line basis over its each asset's estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimate useful lives for the Group's finite life intangibles assets are 5 to 10 years.

Amortisation commences once the asset is in use, and the charge is recognised in administrative expenses. Amortisation of intangibles assets commences once the asset is in use. Assets under construction are not amortised.

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.

During the year the Directors of the construction business reviewed and, where appropriate re-classified certain tangible fixed assets as between Furniture, fittings and equipment and Plant and equipment, in order to more closely align the nature of those assets and their respective business use.

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.

The Directors of the construction business additionally reviewed and reassessed the bases on which assets in each class of tangible fixed assets are depreciated, based on recent experience of the useful lives of each class of asset and their respective residual values on disposal.

The revised bases for the each classes of asset, which are being applied prospectively with effect from the current financial year, are set out below:

Asset class	Depreciation method and rate
Freehold land and buildings	reducing balance at either 5% or straight-line on cost at 2% per annum.
Furniture, fittings and equipment	straight-line on cost between 20% and 50% per annum.
Plant and equipment	reducing balance between 25% and 35% per annum, and straight line on cost of other items, net of estimated residual value, at between 10% and 33 1/3% per annum.

Jointly controlled operations
Construction contracts carried out as a joint arrangement without the establishment of a legal entity are joint operations. The Group's share of the results and net assets of these joint operations are included under each relevant heading in the income statement and the balance sheet.

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.

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.

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 and cash equivalents
Cash and cash equivalents can include 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.

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.

Unregulated, unfunded pension savings plan
The Group operates an unregulated, unfunded pension savings plan, for eligible senior employees who are members of neither the Group's defined benefit scheme nor its defined contribution pension scheme. Contributions to the scheme are accrued by the Group, and the accrued balance adjusted annually for inflation.

Defind benefit post-retirement medical scheme
The Group operates a defined benefit medical scheme, whereby members become entitled to healthcare-claim benefits after their retirement. The scheme is unfunded, and the present value of the liability for benefits payable is recognised in the Group's balance sheet. Actuarial gains and losses on the healthcare obligation are recognised through other comprehensive income, and interest on the liability is recognised in the Profit and Loss Account within other finance costs. More information on this scheme can be found in note 23 below.

3 Turnover

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

	2021 £ 000	2020 £ 000
United Kingdom	937,159	819,466
Caribbean	39,411	26,289
	976,570	845,755

4 Other gains

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

	2021 £ 000	2020 £ 000
Gain on disposal of plant and equipment	605	526
Coronavirus Job Retention Scheme grants	119	7,310
Research & Development expenditure grants	1,213	1,668
	1,937	9,504

5 Amounts written off investments

The analysis of the group's amounts written of investments for the year is as follows:

	2021 £ 000	2020 £ 000
Write off other loans (see note 17)	254	154
Write off other debtors (see note 19)	916	3,096
	1,170	3,250

6 Operating profit

Arrived at after charging/(crediting)

	2021 £000	2020 £000
Depreciation expense	5,898	9,175
Amortisation expense	13	-
Foreign exchange losses	514	131
Operating lease expense - property	3,639	3,843
Operating lease expense - plant and equipment	11,601	8,965
Gain on disposal of plant and equipment	(605)	(526)
Coronavirus Job Retention Scheme grants	(119)	(7,310)
Research & Development expenditure grants	(1,213)	(1,668)
Research & Development expenditure	9,231	9,167

7 Exceptional items

Following a strategic review in 2017, 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 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. In the year, turnover relating to this business is £nil (2020: £0.7m). The charge for costs relating to this business were £0.2m (2020: £1.3m).

COVID-19 impacted our financial results of the Construction Business in both the current and the prior year, and necessitated a programme of restructuring initiated in the prior year costing £5.2m. £1.2m was spent in 2019-20, (comprising £1.0m relating to staff costs and £0.2m relating to onerous lease charges) and the balance of £3.9m during the current year, (£3.7m relating to staff costs and £0.2m relating to onerous lease charges).

8 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Interest income on investments	67	147
Bank interest receivable and similar income	180	480
	247	627

9 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest on obligations under finance leases and hire purchase contracts	138	265
Net interest expense on post-retirement medical scheme liability	88	107
Other interest and finance charges	19	164
	245	536

10 Staff costs

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

	2021 £000	2020 £000
Wages and salaries	166,279	152,750
Social security costs	17,294	15,763
Pension costs, defined contribution scheme	7,341	7,121
Pension costs, defined benefit scheme	297	230
Pension costs, unregulated, unfunded saving plan	185	166
	191,396	176,030

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

	2021 No.	2020 No.
Operations	2,130	2,205
Admin	154	162
	2,284	2,367

The Company had no employees during the year (2020 - none).

11 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £000	2020 £000
Remuneration	953	875
Contributions paid to defined benefit scheme	297	230
	1,250	1,105

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:

	2021 No.	2020 No.
Accruing benefits under defined benefit pension scheme	2	2

In respect of the highest paid director:

	2021 £000	2020 £000
Remuneration	487	462

12 Auditor remuneration

	2021 £ 000	2020 £ 000
Audit of these financial statements	25	19
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	305	278
	330	297
Other fees	-	5

Sir Robert McAlpine (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 October 2021

13 Taxation

Current taxation	**2021 £ 000**	**2020 £ 000**
United Kingdom corporation tax	629	(2,708)
United Kingdom corporation tax adjustment to prior periods	295	(1,290)
	924	(3,998)

Deferred taxation	**2021 £ 000**	**2020 £ 000**
Arising from origination and reversal of timing differences	1,863	1,294
United Kingdom corporation tax rate change	(1,434)	(1,168)
	429	126
Total tax charge/(credit)	1,353	(3,872)

In addition to the tax charge to the income statement, tax of £14,000 was charged (2020: £51,000 credited) directly to other comprehensive income in respect of the remeasurement gain (2020: loss) on the post-retirement medical scheme.

The differences between the total tax credit shown above and the amount calculated by applying the standard rate of United Kingdom corporation tax of 19% (2020 - 19%) to the profit before tax are as follows:

	2021 £ 000	**2020 £ 000**
Profit/(loss) before tax	7,304	(25,381)
Corporation tax at standard rate	1,388	(4,816)
Income not taxable in determining taxable profit	(818)	(787)
Expenses not deductible for tax purposes	216	342
Group relief surrendered for nil consideration	1,130	2,072
Expense due to transfer pricing adjustments	(2,870)	(1,705)
Remeasurement of deferred tax assets and liabilities due to changes in UK tax rate	(1,432)	(1,177)
Change in unrecognised deferred tax assets	3,526	3,485
Adjustments to tax charge in respect of previous periods	213	(1,280)
Total tax charge/(credit)	1,353	(3,866)

Deferred tax

Group
Deferred tax assets and liabilities (see notes 19 and 21)

2021	Asset £000
Accelerated capital allowances	982
Short term timing differences	1,410
Losses	6,758
Post-retirement medical scheme obligations	1,332
	10,482

2020	Asset £000
Accelerated capital allowances	451
Short term timing differences	1,100
Losses	8,312
Post-retirement medical scheme obligations	1,062
	10,925

In May 2021 the UK Government substantively enacted a new corporate tax rate for large companies, raising the rate from 19% to 25% with effect from 1 April 2023. The deferred tax assets have been calculated using the rate anticipated to be in force when the timing differences unwind. Recognised deferred tax assets are at a blended rate of 22% (2020: 19%).

It is expected that £2,488,000 (2020: £1,530,000) of the deferred tax assets and £nil (2020: £nil) of the deferred tax liabilities will reverse during the next year.

There are no unrecognised deferred tax liabilities (2020: £nil).

The Group has not recognised £48,854,000 (2020: £32,357,000) of deferred tax assets, calculated at 25% (2020: 19%), due to uncertainties as to the period of their recovery. These are analysed as follows:

	2021 £ 000	2020 £ 000
Accelerated capital allowances	3,034	3,799
Losses	45,096	28,245
Short term timing differences	724	313
	48,854	32,357

There is no expiry date in respect of these unrecognised timing differences.

Company
Deferred tax assets (see note 17)

2021	Asset £ 000
Losses	200
Accelerated capital allowances	118
	318

2020	Asset £ 000
Losses	152
Accelerated capital allowances	85
	237

The Company has not recognised £2,246,000 (2020: £1,143,000) of deferred tax assets arising on unused tax losses, calculated at 25% (2020: 19%), due to uncertainties as to the period of their recovery.

14 Intangible assets

Group

	Software Development £ 000	Assets under construction £ 000	Total £ 000
Cost			
Additions	120	1,164	1,284
At 31 October 2021	120	1,164	1,284
Amortisation			
Charge	13	-	13
At 31 October 2021	13	-	13
Carrying amount			
At 31 October 2021	107	1,164	1,271

The amortisation charge is recognised in the profit and loss account within cost of sales.

15 Tangible assets

Group

	Freehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Plant and equipment £ 000	Total £ 000
Cost				
At 1 November 2020	29,009	20,942	61,090	111,041
Additions	198	292	4,657	5,147
Disposals	(108)	(6,427)	(4,258)	(10,793)
Reclassification	(327)	(10,473)	10,800	-
Foreign exchange movements	(280)	-	(358)	(638)
At 31 October 2021	28,492	4,334	71,931	104,757
Depreciation				
At 1 November 2020	13,667	17,531	39,035	70,233
Charge for the year	557	907	4,434	5,898
Eliminated on disposal	(106)	(6,667)	(3,195)	(9,968)
Reclassification	(347)	(8,984)	9,331	-
Foreign exchange movements	(28)	-	(295)	(323)
At 31 October 2021	13,743	2,787	49,310	65,840
Carrying amount				
At 31 October 2021	14,749	1,547	22,621	38,917
At 31 October 2020	15,342	3,411	22,055	40,808

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible fixed assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts (see note 27)

	2021 £ 000	2020 £ 000
Plant and Equipment	5,435	8,950

Company

	Freehold land and buildings £ 000
Cost	
At 1 November 2020	15,540
At 31 October 2021	15,540
Depreciation	
At 1 November 2020	5,792
Charge for the year	508
At 31 October 2021	6,300
Carrying amount	
At 31 October 2021	9,240
At 31 October 2020	9,748

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

16 Investments

Group

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

	Equity	Loans	Total
Cost and carrying amount	**£ 000**	**£ 000**	**£ 000**
At 1 November 2020	3,227	423	3,650
Foreign exchange adjustments	(474)	36	(438)
Profit for the year	(65)	-	(65)
At 31 October 2021	2,688	459	3,147

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

Company

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

	Total
Cost	**£ 000**
At 1 November 2020 and 31 October 2021	83,094
Carrying amount	
At 31 October 2021	83,094
At 31 October 2020	83,904

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

17 Other financial assets

Group

Group - non-current financial assets

	Unlisted securities	Loans	Total
Cost	**£ 000**	**£ 000**	**£ 000**
At 1 November 2020	3,589	1,409	4,998
Additions	-	500	500
Transfers	(3,589)	-	(3,589)
At 31 October 2021	-	1,909	1,909
Provisions			
At 1 November 2020	-	708	708
Impairment provisions made in the year	-	254	254
At 31 October 2021	-	962	962
Carrying amount			
At 31 October 2021	-	947	947
At 31 October 2020	3,589	701	4,290

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

18 Stocks

	2021 £ 000	Group 2020 £ 000
Raw materials and consumables	430	442
Properties held for development and sale	4,876	5,147
	5,306	5,589

19 Debtors

Due within one year:	2021 £ 000	Group 2020 £ 000	2021 £ 000	Company 2020 £ 000
Trade debtors	36,453	45,615	-	-
Amounts owed by related parties	115,401	92,436	113,404	87,836
Other debtors	3,673	19,968	-	1,000
Prepayments	10,647	4,797	38	3
Gross amount due from customers for contract work	55,807	55,833	-	-
Deferred tax assets (see note 13)	2,488	1,530	-	-
Corporation tax asset	2,437	3,494	-	-
	226,906	223,675	113,442	88,839

Due after more than one year:	2021 £ 000	Group 2020 £ 000	2021 £ 000	Company 2020 £ 000
Other debtors	573	488	-	-
Gross amount due from customers for contract work	12,473	16,897	-	-
Deferred tax assets (see note 13)	7,994	9,395	318	237
	21,040	26,780	318	237

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 30.

Included in Other debtors greater than one year are Joint ownership properties which are held at fair value of £573k (2020: £488k). This includes a revaluation gain of £84k (2020: loss of £35k).

20 Cash and cash equivalents

	Group 2021 £ 000	Group 2020 £ 000	Company 2021 £ 000	Company 2020 £ 000
Cash at bank	133,754	120,491	18	18
Short-term deposits	18,016	16,395	10,000	10,000
	151,770	136,886	10,018	10,018

Group
Short-term deposits held by the Group have an original maturity of 3 months or less. At the balance sheet date the average maturity of deposits was 3 months (2020 - 3 months). The average interest rate was 0.35% (2020 - 0.35%). They are measured at amortised cost.

The Group had no short-term deposits or cash at bank held under terms which are restrictive (2020 - £Nil).

Company
Short-term deposits held by the company have an original maturity of 3 months or less. At the balance sheet date the average maturity of deposits was 3 months (2020 - nil). The average interest rate was 0.35% (2020 - 0.35%). They are measured at amortised cost.

The company had no short-term deposits or cash at bank held under terms which are restrictive (2020 - £Nil).

21 Creditors

	Group 2021 £ 000	Group 2020 £ 000	Company 2021 £ 000	Company 2020 £ 000
Amounts falling due within one year				
Finance leases	1,206	2,487	-	-
Trade creditors	66,236	75,211	-	-
Amounts due to related parties	-	-	134,457	109,133
Corporation tax liability	528	-	-	-
Social security and other taxes	34,750	14,087	-	-
Other payables	172	976	-	-
Accruals	26,797	18,997	7,136	17
Amounts payable under contracts	175,225	173,026	-	-
	304,914	284,784	141,593	109,150
Amounts falling due after more than one year				
Finance leases	1,673	1,720	-	-
Trade creditors	10,683	17,526	-	-
	12,356	19,246	-	-

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 30.

Trade creditors due after more than one year include £270,000 payable after more than 5 years (2020: £270,000), in respect of contract retentions.

22 Provisions for liabilities

Group

	Covid-19 provision £ 000	Remedial provisions £ 000	Total £ 000
At 1 November 2020	3,913	29,466	33,379
Provisions utilised	(3,913)	(16,270)	(20,183)
Provision utilised	-	(7,015)	(7,015)
Additional provisions	-	18,193	18,193
At 31 October 2021	-	24,374	24,374

Remedial provisions comprise provisions for costs expected to be incurred in respect of identified remedial works on completed contracts. It is impracticable to estimate the timing of the related cash outflows, and hence no amounts have been discounted.

As explained in note 5 above, the balance of £3.9m in respect of the COVID-19 provision was utilised during the current year, comprising £3.7m staff costs and £0.2m onerous lease charges.

23 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 Group. The date of the most recent triennial actuarial valuation was 31 October 2018. 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 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. Both the pre-retirement and the post-retirement rate of return use the market-implied gilt yield curve plus 2.0%, tapering down to 0.5% by 2035. Salary increases are assumed to be in line with deferred revaluation increases, as the future salary increase assumption is lower than CPI. Statutory revaluation underpins these benefits. LPI Pension Increases curves derived from RPI, adjusted for the impact of the cap and floor and with an allowance for inflation volatility.
The triennial actuarial valuation showed a net deficit of £182.4m, with the market value of the scheme's assets amounting to £438.7m which was sufficient to cover 71% of the benefits that had accrued to members. The scheme has been closed to new entrants and under the projected unit method the current service cost will increase as the members approach retirement. Following cessation, this is no longer the case and accrued service costs are no longer applicable.

The scheme is recorded within Newarthill Limited, the ultimate parent company, and full disclosure of the scheme is shown within that Newarthill's financial statements. These disclosures show the scheme to have a net deficit at 31 October 2021 of £88.8m (2020 - £164.2m) 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%), based on a developed policy which is used as the basis for allocation of the deficit repayments.

In addition to the defined benefit scheme, the group operates two defined contribution pension schemes where employee contributions are matched by contributions by the Company. The pension cost charge for the year for these schemes represents contributions payable by the group to the schemes and amounted to £7,341,000 (2020 - £7,121,000). All costs were expensed as incurred and there were no amounts outstanding, by way of either amounts owing or commitments, at the year end (2020 - £Nil).

Unregulated, unfunded pension savings plan

The Group operates an unregulated, unfunded pension scheme savings plan, for eligible senior employees who are members of neither the defined benefit scheme nor a defined contribution pension scheme. Contributions to the scheme, at 6% of pensionable salary, are accrued by the Group, and the accrued balance adjusted annually for inflation. The pension cost charged for the year amounted to £185,000 (2020: £166,000). The accrued balance of the plan at 31 October 2021 amounts to £231,000 (2020: £208,000).

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 2021. 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:

	2021 £ 000	2020 £ 000
Present value of scheme liabilities	5,416	5,589
Deferred tax asset	(1,029)	(1,062)
Post-retirement medical scheme deficit	4,387	4,527

Scheme liabilities

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

	2021 £ 000
Present value at 1 November 2020	5,589
Interest cost	88
Actuarial gains and losses	(106)
Employer contributions	(155)
Present value at 31 October 2021	5,416

Principal actuarial assumptions

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

	2021 %	2020 %
Discount rate	1.80	1.60
Medical expenses inflation	10.00	9.50

24 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2021 £ 000	No. 000	2020 £ 000
Ordinary shares of £1 each	78,050	78,050	78,050	78,050

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

25 Reconciliation of operating profit to net cash from operating activities

	Note	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		5,952	(21,509)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	5,911	9,175
Profit on disposal of tangible assets	6	(605)	(526)
Finance income	8	(247)	(627)
Finance costs and amounts written off investments		1,585	3,787
Share of profit of equity accounted investees		63	34
Taxation	13	1,352	(3,872)
		14,011	(13,537)
Working capital adjustments			
Decrease in stocks	18	283	256
Decrease in debtors		25,857	12,868
Increase in creditors		11,509	12,932
Decrease in post-retirement medical scheme obligation net of actuarial changes	23	(155)	(57)
(Decrease)/increase in provisions		(9,005)	18,724
(Decrease)/increase in intercompany balances		(22,171)	(5,229)
Cash (used in)/generated from operations		20,330	25,956
Corporation tax received		2,102	627
Net cash generated from operating activities		22,432	26,583

26 Net cash reconciliation

	2020	New finance leases	Cash Flows	2021
	£000	£000	£000	£000
Cash at bank	136,886	-	14,884	151,770
Finance leases	(4,207)	(1,217)	2,545	(2,879)
Net cash	132,679	(1,217)	17,429	148,891

27 Obligations under leases and hire purchase contracts

Group

Finance leases

Finance leases relate to the purchase of heavy plant and machinery used in the Group's construction activities. Cranes are classified as plant and equipment within note 13. There are no contingent rental, renewal or purchase option clauses.

The total future minimum lease payments are as follows:

	2021 £ 000	2020 £ 000
Not later than one year	1,206	2,487
Later than one year and not later than five years	1,673	1,720
	2,879	4,207

Operating leases

The total future minimum lease payments are as follows:

	2021 £ 000	2020 £ 000
Not later than one year	2,726	3,058
Later than one year and not later than five years	3,865	863
	6,591	3,921

The amount of non-cancellable operating lease payments recognised as an expense during the year was £12,808,000 (2020 - £13,982,000), comprising land and buildings £1,207,000 (2020: £5,017,000) and plant and machinery £11,601,000 (2020: £8,965,000).

28 Commitments

Group

Capital commitments

There were commitments of £1.7m at 31 October 2021 (2020: £3.2m) in respect of the acquisition of tangible fixed assets. There were no material commitments (2020: £Nil) in respect of intangible fixed assets.

29 Contingent liabilities

Group
There were contingencies in respect of the following:

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

- Compensation in respect of the performance of contracts;
- Monies received that would otherwise be withheld as contract retentions; and
- Client materials stored off-site.

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

30 Related party transactions

Group
There were transactions amounting to £134.0m (2020 - £68.9m) in respect of construction and other contracts on normal commercial terms with various joint arrangements, of which £1.2m (2020 - £15.4m) was owing at the year end and included within debtors due in less than one year (note.19).

There were transactions amounting to £44.8m (2020 - £28.3m) in respect of construction and other contracts on normal commercial terms with joint ventures and unlisted investments, of which £nil (2020 - £0.3m) was owing at the year end and included within debtors due in less than one year (note.19).

Included within unlisted securities (note.17) was a balance of £nil (2020 - £3.6m) owing from McAulay (Market Buildings) Limited and within debtors due in less than one year (note.19) is a balance of £nil (2020 - £2.8m) owing from McAulay (Tudor House) Limited.

At the year end, BCM McAlpine Limited owed the Group £61.6m (2020 - £60.1m). During the year no recoveries were received against this balance (2020: £nil).During the year the Group increased part of the provision against this balance by £2.4m (2020: £4.5m). BCM McAlpine Limited is a jointly controlled entity.

Company
Other than the BCM McAlpine Limited transactions disclosed above. the company's other related party transactions were with wholly owned-subsidiaries and so have not been disclosed.

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 England and Wales 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.

Company	Registered company number	Country of Incorporation / registration	Interest in shares
Construction Related			
Bankside Electrical Contractors Limited	00970503	*	100% ordinary
British Contracts Company Limited	00168655		100% ordinary
Derby Joinery Limited	01615045		100% ordinary
McAlpine Limited ^		Cayman Islands	100% ordinary
Partnership Insurance Company		Cayman Islands	100% ordinary
Sir Robert McAlpine Limited ^	00566823		100% ordinary
Sir Robert McAlpine Management Contractors Limited	01157770	*	100% ordinary
St. Blaise (1998) Limited ^	02083075		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.

Company	Registered company number	Country of Incorporation / registration	Interest in shares
Property Development			
McAlpine Properties Limited ^		Cayman Islands	100% ordinary
Consortium 220 LLP #	S0304318		33.33% ordinary
UBW Limited #		Cayman Islands	25% 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.

33 Events after the reporting date

On 24 February 2022, an invasion of Ukraine by Russian military forces commenced, which has to date given rise to increased energy and commodity prices throughout the UK and Europe and significant uncertainty in financial markets worldwide. The Group has assessed, and will continue to assess the implications of the events in Ukraine, but currently there is considered to be no material impact on the business's financial performance or position.