Sir Robert McALPINE

DELIVERING IN A CHANGING WORLD

ANNUAL REPORT & ACCOUNTS

2022

Cover image:
The new 67m A533 Expressway bridge structure ready to be moved into place over the M56 in Runcorn.

2022

ANNUAL REPORT & ACCOUNTS

CONTENTS

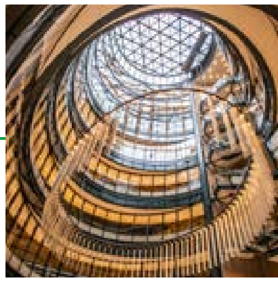
Opposite page:
Our Special Projects team has worked to restore St Marylebone Parish Church to its former glory and remove the building from the Historic England 'At Risk' register.


Be Safe
Sir Robert
McALPINE

THE YEAR **AT A GLANCE**

NOVEMBER 21

Flexonomics report published: the first in-depth study showcasing the benefits of flexible working to the UK economy.



100 Liverpool Street and The Royal Albert Hall recognised at the Building Awards.

DECEMBER 21

Our first Inclusion report is published.

JANUARY 22

New Royal Bournemouth is the first UK Hospital to use AI technology, increasing efficiency and reducing costs.

FEBRUARY 22

Contract signed for 1 Broadgate, the fifth project to be delivered under a framework agreement with British Land.

MARCH 22

Morello II in Croydon and Belle Vue Academy in Manchester celebrate their topping outs.

APRIL 22

Celebrating raising £1m for our charitable partner Maggie's.

One Centenary Way tops out in Birmingham.

MAY 22

National Rehabilitation Centre in Nottinghamshire, contract award.

JUNE 22

Sustainability report published.

JULY 22

A533 Expressway bridge installed over the M56 in a weekend closure.

AUGUST 22

The Remember Me Covid-19 Memorial opens at St Paul's Cathedral.

SEPTEMBER 22

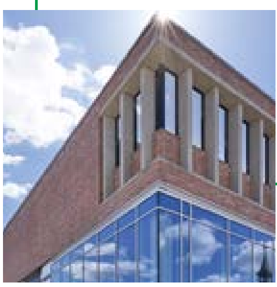
Monkwearmouth Hospital, Sunderland contract award.

OCTOBER 22

Our Best of British Lunch raised more than £60,000 for our partners in inspiration, ParalympicsGB.

NOVEMBER 22

Our team at The Forge receive the 'Digital Excellence Award' at the Building Awards.



The Springfield University Hospital Trinity Building opens.

Our People Team named the 'HR Team of the Year' at the CN Workforce Awards.

DECEMBER 22

HS2 Minister Huw Merriman is the first person to walk along the Colne Valley Viaduct.

JANUARY 23

HS2
Dominique
ALIGN
HS2
Department for Transport
DEAL

CONSTRUCTING A BETTER WORLD FOR FUTURE GENERATIONS

A statement from our Chair, **Edward McAlpine**

Yet again this past year, we have operated in the midst of volatile conditions and faced an array of difficult challenges. Despite these obstacles, we remain steadfast in our determination to serve our clients and communities.

The resilience of our family of people, whose talents and willingness to go the extra mile remain a source of great inspiration and pride to me. Their passion and professionalism have remained undiminished in the face of the challenges we have encountered, and I thank each and every one of them for their commitment and thundering hard work.

The many exceptional projects we have delivered for our clients bring to life our purpose of proudly building Britain's future heritage: the resplendent Elizabeth Tower; the monumental and technically complex Phase 3a of the Battersea Power Station redevelopment; and The Forge, one of the most ground-breaking projects of recent years.

Delivering on our clients' ambitions has always been our core focus and underpins the development of the kind of long-term, mutually beneficial relationships that deliver success. Our involvement with British Land offers a great example, with 1 Broadgate set to be the fifth building to be delivered as part of a framework agreement.

In these uncertain times, our values are a guiding light, and it is important that we come closer together to support those who are most affected or vulnerable. I am immensely proud, for instance, of the commitment and actions that we have seen from our people in supporting the charitable causes that are close to our hearts.

We achieved a significant milestone by raising £1 million for our charity partner, Maggie's, which helps families affected by cancer. We have awarded Strong Foundations Grants to nearly 100 grassroots projects, reaching more than 70,000 beneficiaries around the country and making a significant impact on local communities. Our continued partnership with the British Paralympic Association reflects both our passion for inclusion and our pursuit of excellence. Our support for the Construction Youth Trust also remains as strong as ever, helping young people to achieve their potential through the diverse career opportunities our industry has to offer.

Our people and our business partners have, once again, shown a generosity of spirit and willingness to reach out to others, which is truly humbling, and for which I am grateful. Such kindness and compassion align perfectly with our ethos.

As a modern business, we must also consider the changing landscape we are operating in and adapt to sustain our success. We have recognised that the needs of our clients and employees are evolving, and we are continually looking towards the future to ensure our long-term stability.

I am optimistic that our vision and strategic approach will provide the perfect environment for our people and our construction projects to thrive.

As one team, alongside our people and trusted partners, we stride confidently into the future. Together we will deliver on our vision of working together, with our clients and communities, as we construct a better world for future generations.

Opposite page:
At HS2's Colne Valley Viaduct, the giant 140-tonne precast deck segments are being installed using a 160m long launching girder.

DELIVERING IN A CHANGING WORLD

A statement from our Chief Executive, **Paul Hamer**

In this post pandemic era, the external factors adversely impacting the industry have been unprecedented. The resulting turmoil has affected not only the economy, but society as a whole.

Despite the challenges, I am proud to say that we have delivered a resilient performance which maintains our profitability from 2021 through to 2022.

Our resilience is rooted in the strong relationships that we have nurtured with our clients, supply chain partners, consultants, communities and industry peers. Our approach to excellence that underpins every project, Build Sure, has also enabled us to deliver in a constantly changing world.

The successful restoration of the Elizabeth Tower tops our recent achievements. Preserving one of Britain's most iconic landmarks for future generations to enjoy has filled everyone associated with the project with pride. In Infrastructure, the milestones we have achieved on the Chiltern tunnels and Colne Valley Viaduct, part of the HS2 C1 package delivered by the Align Joint Venture, have also been cause for celebration.

More than ever, this testing period has underscored the importance of collaboration. We have focused our efforts on engaging with our clients earlier in the project lifecycle to maximise the value from their projects, and reached out to local communities where we operate to leave lasting, positive legacies. Another significant step has been our collaboration with industry peers to solve construction's productivity issues, and with specialist experts to tackle the ever-increasing threat of climate change.

Our people, as always, are key to our success and we are committed to ensuring that our culture continues to be welcoming, inclusive, supportive and provides them with the right environment to develop thriving and fulfilling careers. We are pleased to have made progress on our commitment to making flexible working accessible to everyone, with successful trials conducted with frontline workers at two separate sites. We can now consider expanding this further, to help drive greater diversity and tackle the mental health issues we face as an industry.

Recently, we took our next strategic step to evolve the business and sustain its success for the long term. As a result, we have transitioned to a national sector-focused operating model, with centres of expertise that will provide swift, high-quality support to our projects, creating more value for our clients and offering rewarding career paths to our people for the long term.

We look to the future with confidence as we continue to proudly build Britain's future heritage.

Opposite page:
Phase 3A of the Battersea Power Station Redevelopment sets a new standard for luxury residential living in London.

ABOUT **US**

A family-owned building and infrastructure company operating across the UK, we have been proudly building Britain's future heritage since 1869.

Our people share one vision: to be renowned for our work with clients and communities as we construct a better world for future generations.

Client-led and project-focused, we have a clear Evolving SRM strategy designed to ensure we build on our strengths and realise our full potential.

Underpinning our approach is a commitment to excellence in all we do and a values-led approach to business.

Closer means stronger

As a family business, people and relationships are at the very heart of what we do.

Our clients, consultants, supply chain partners, employees and the local communities and charitable partners we work with are all part of our extended family.

And just like any family, when times get hard, we find strength in deepening those relationships.

That's when the strong and enduring bonds we aim to develop with all those touched by our work really come into their own.

The mutual understanding and support those relationships foster provide us with the flexibility to navigate the challenges we face today while planning for tomorrow.

They underpin our steadfast resilience, making us a strong anchor in turbulent times.

GOALS

CULTURE

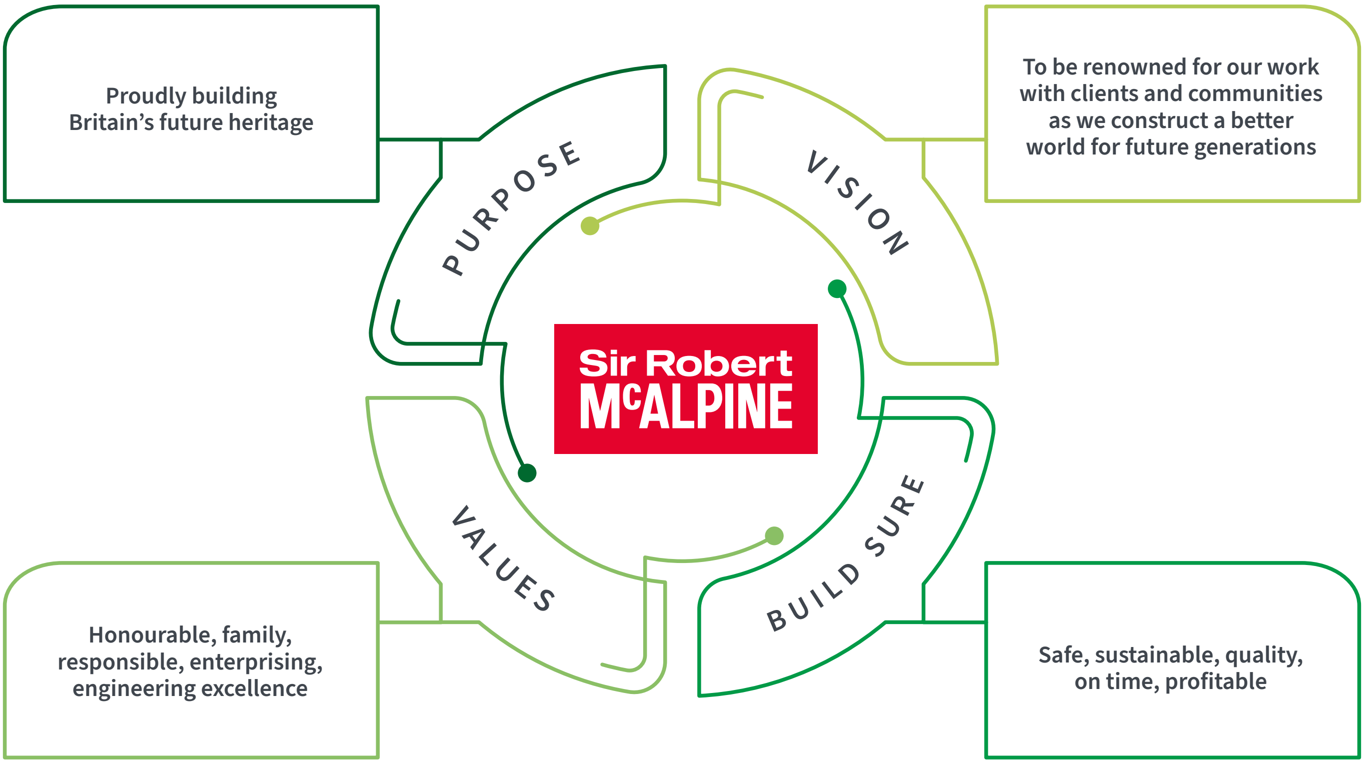
Create and maintain a thriving, values-led family and a diverse workplace where people build fulfilling careers.

PROFIT

Become a more sustainably profitable business for the benefit of all of our stakeholders.

RISK

Reduce business risk via a more balanced portfolio of projects that plays to our strengths and enhances our brand.



STRATEGY

FOCUS

On where we excel: right sectors, projects, contracts & clients. Our priority sectors are: Commercial Offices, Infrastructure, Healthcare, Industrial, Major & Special Projects.

ADAPT

To a more efficient, effective and collaborative way of working that allows us to deliver our focused strategic aims, invest in our future and help our people build strong careers.

EVOLVE

For longevity and success by developing services to meet our clients' changing needs and de-risk the business.

EVOLVING FOR FUTURE SUCCESS

In May 2023, we moved from a regional operating model to a national sector-focused model, with centres of excellence providing projects with swift access to expertise. This new approach is designed to drive profitable growth, reduce risk to the business and set us up for long-term success.

"We want to be renowned for our work with clients and communities as we construct a better world for future generations."
Paul Hamer, Chief Executive

We are prioritising sectors where we have been most successful; these include infrastructure, healthcare, commercial offices, industrial, as well as the heritage and complex schemes delivered by our Major and Special Projects team.

Deepening relationships with key clients and supply chain partners remains at the core of the Evolving SRM strategy. We will select projects where we can provide insightful support, from initial investment until completion, and leave a lasting, positive legacy for clients and communities.

Leveraging more than 150 years of experience and expertise, we are adapting, taking into consideration current market conditions and the fast pace towards decarbonisation. This transition aims to provide better outcomes for our people in the long term and deliver greater value for clients throughout the whole lifecycle of projects, engineering a future that serves both society and the planet.

The challenges that the industry is currently facing are exceptional and unprecedented. In this turbulent market, we owe it to our people and our clients to carefully consider how we apply our focus and expertise over the coming years to seize the opportunities that will support us to thrive."

Paul Hamer, Chief Executive

The McAlpine way of Build Sure will continue to underpin our approach to engineering and technical excellence, ensuring the delivery of exemplary projects safely, sustainably, on time, on budget and to the highest quality.

We remain guided by our values and operate in an unquestionably ethical and responsible manner, for the benefit of our people, communities, and the planet.

The business is now led and managed by a newly-formed Board replacing the former Board and Executive Leadership Team. The new Board members are jointly responsible for setting the strategic direction of the Company and for operational performance.

Edward McAlpine
Chair & Executive Partner

Paul Hamer
Chief Executive Officer

Hector McAlpine
Executive Partner

Leighton More
Chief Financial Officer

Karen Brookes
Chief People Officer

Steve Hudson
Executive Commercial Director

Andrew Hunter
Executive Director of Engineering & Technical Services

Grant Findlay
Executive Managing Director Buildings

Tony Gates
Executive Managing Director Infrastructure

FINANCIAL HIGHLIGHTS

A YEAR OF CONTINUED RECOVERY

Despite the ongoing challenges during the financial year, our post-Covid operating profit was maintained in 2022.

- Operating profit was £9.6m in 2022 (2021: £9.6m).
- Cash balances remained strong at £99.5m (2021: £106.2m).

Our business strategy has provided us with the resilience to overcome obstacles, reflected in our ability to adapt and evolve. Thanks to the strong and trusted relationships we nurture with our supply chain partners and clients, as well as our constant focus on excellence through Build Sure, we have delivered outstanding projects and maintained our performance through the financial year.

Careful financial management has enabled our cashflow to stay strong.

With a healthy pipeline of secured work, our new national sector-focused approach, supported by technical centres of excellence to better serve our clients, gives us the confidence that we are set up for the long-term success of the business.

Turnover

£1,086.9m
2022

£937.2m
2021

Operating profit

£9.6m
2022

£9.6m
2021

Cash

£99.5m
2022

£106.2m
2021

NO DEBT OTHER THAN FINANCE LEASES

NON-FINANCIAL **PERFORMANCE INDICATORS**

48%
Scope 1 & 2 Emissions

22%
Scope 3 Emissions

22%
Absolute Emissions

CARBON

5.5%
Reduction in absolute construction waste

98.5%
Diversion from Landfill

32.8T/£M
Construction Waste Intensity

RESOURCE EFFICIENCY

95%
Responsible Sourcing

29
Ethical Labour Practice Audits

12
Site Engagement Surveys

ETHICAL PROCUREMENT

£39.8M
Social return on investment

SOCIAL VALUE

Further detail is available in our sustainable strategy on pages 60-75.

STRONG FOUNDATIONS GRANTS – SUPPORTING GRASSROOT INITIATIVES AND CHARITY GROUPS ACROSS THE UK. **70,000 PEOPLE** ARE ESTIMATED TO HAVE BENEFITED FROM THE **95 PROJECTS** FUNDED SO FAR.

HEALTH & SAFETY

12 MONTH ROLLING ACCIDENT FREQUENCY RATE (AFR)

0.10
2022

0.13
2021

We are proud to continue our journey of embedding and implementing our Minimum Health, Safety & Wellbeing (HS&W) Standards. The Standards will support our teams and supply chain to reduce risk, create positive working environments and deliver a consistent approach to HS&W management.

GENDER PAY GAP

Despite the efforts we have made, our figures for this year remain broadly the same as last year. This is a source of huge frustration to us, fuelling our determination to drive change.

We face the same challenge as others in our sector. Construction has long been a male dominated industry. It's something we are determined to lead the way on changing, but it will take time.

Mean gender pay gap
26.4%

Median gender pay gap
31.4%

This shows the mean and median difference in the fixed hourly earnings between men and women who worked for Sir Robert McAlpine Ltd as at April 2022.

CLOSER TO **OUR CLIENTS**

HELPING CLIENTS NAVIGATE UNCERTAIN TIMES

At Sir Robert McAlpine, our clients' needs drive our actions. When a client places their trust in us, they experience a business that puts their ambitions at the centre of what we do.

In uncertain times, we know how important the steadfast support of a trusted partner is.

We look to deepen our client relationships, in the knowledge that by working more closely we gain strength from each other and are better placed to navigate the respective challenges our teams face.

Being client-led means walking in step with our customers and anticipating their needs; building enduring relationships which add real value.

We believe it is our duty to go beyond the everyday to deliver excellence for our clients.

We do this by being project-focused: training our expertise on the job at hand, while integrating the latest technologies and ways of working to deliver high quality assets that make clients want to work with us again.

Our clients know that when they place their trust in us, their ambitions become our ambitions.


Sir Robert
McALPINE

One event, instigated this year by our infrastructure team, exemplified our client-led approach in action.

'The Collaborating for a Sustainable Future for our Customers' workshop aimed to help the team better understand the challenges faced by our clients. A key focus of the day was the changing needs and expectations of our clients' customers and stakeholders in the light of Covid-19, Brexit, climate change and emerging technologies.

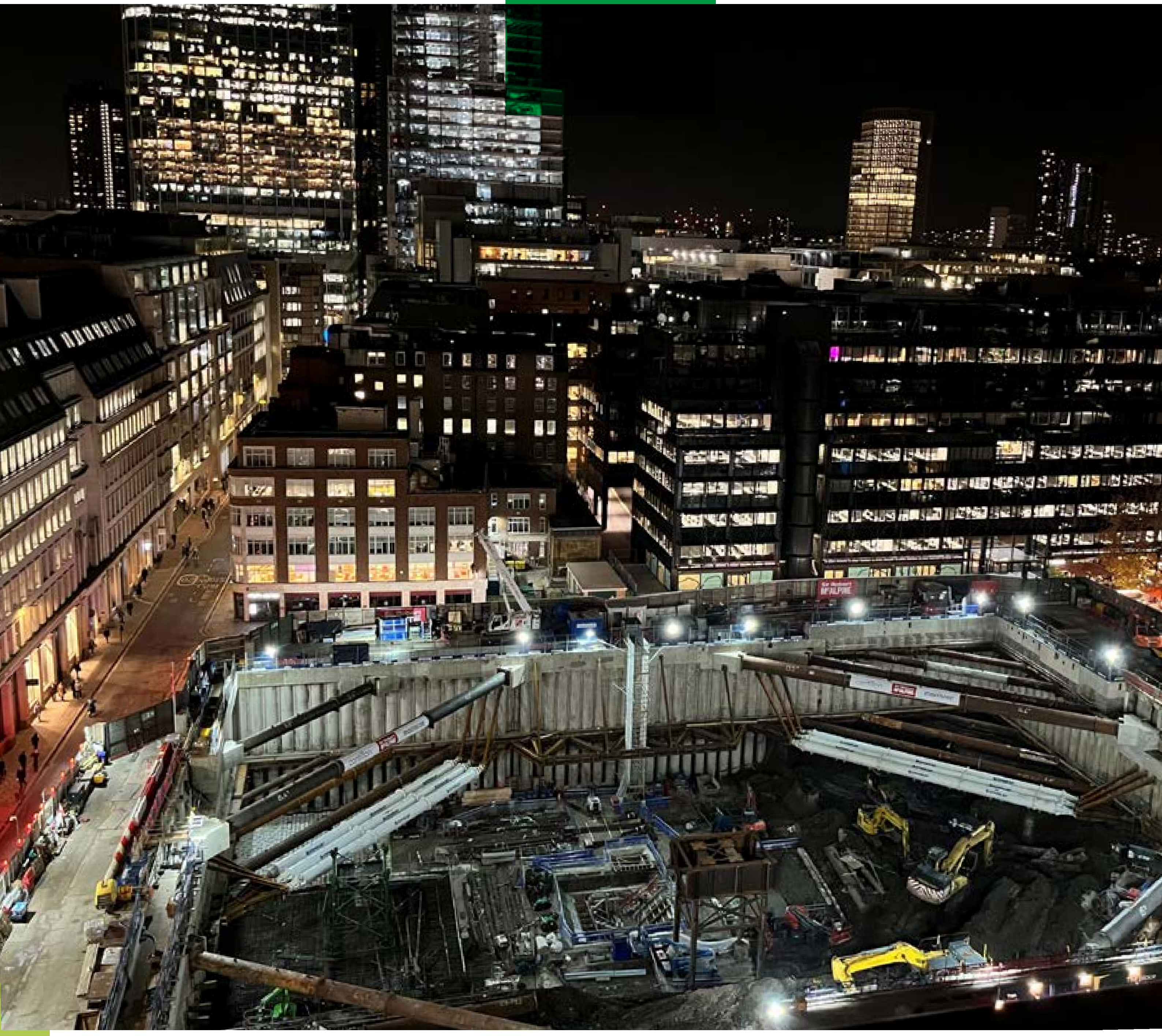
Our client-led approach and commitment to delivering excellence are reflected in the significant levels of repeat work we are awarded.

The £340m, 1 Broadgate project in the City of London is a prime example. The project is the fifth to be delivered under the Broadgate Framework for British Land.

Elsewhere, following the success of our M6 Junction 19 project, our AmeySRM joint venture started work for National Highways on a new bridge over the M56 near Runcorn in Cheshire.

The project is being delivered by the JV through the National Highways Regional Delivery Partnership Framework.

The 67m steel structure for the A533 Expressway bridge was built off-site at a compound close to the M56.



1 Broadgate is the fifth project to be delivered under a framework agreement with British Land.

Having impressed on the delivery of 80 Strand for client Strandbrook, our Special Projects team has secured the £120m refurbishment of Barkers of Kensington. The Grade II listed department store will be remodelled internally, with works to the atrium and upper workspaces, alongside enhancements at basement, ground floor and roof level.

Our team will also be continuing their work for the Courtauld Institute of Art, providing pre-construction services for Phase Two of the 'Courtauld Connects' scheme.

North of the border, we are extending our relationship with Quartermile Ventures Ltd through our ongoing work at the Haymarket development in Edinburgh. We will be completing fit out works and constructing a hotel across two buildings.

And finally, in testament to the quality of our previous work on Wimbledon No 1 Court, we also signed the pre-construction services agreement for the first phase of the refurbishment of the Millennium Building at Wimbledon. The project involves the modernisation and redesign of facilities for players and the media.

One Centenary Way is part of the Paradise Birmingham development for developer MEPC and a major new landmark for the city.

Our Special Projects team completed the refurbishment of the art deco Grade II listed 80 Strand.

At the turn of the year we were appointed to the Sellafield Programme and Project Partners (PPP) latest long-term work framework agreement worth £1bn to deliver the Groundworks and Concrete Structures (Civils) framework.

CLOSER TO **OUR PEOPLE**

SUPPORTING OUR TEAMS TO THRIVE

A key element of our Evolving SRM strategy is the investment we make in our people.

With the strength of our brand attracting the brightest and best the industry has to offer, our focus is on ensuring they have the opportunities and developmental support that ensures they fulfil their potential.

We invested £1.1m in learning and development in 2022 in support of our ambition to become the best place to work. A quarter of this total went into improving the knowledge and skills of our people managers, while 30% was invested to ensure we are compliant with current and future legislative and regulatory requirements.

2021/22 highlights include:

- 83% of colleagues received training or development
- 3,000+ training days completed
- £850 average development investment spend per person

It is the quality of our people and their commitment to client service, technical excellence and exemplary project delivery that makes us different.

At the Women in Leadership Association's International Women's Day Conference our Human Resources team picked up the Shine Awards, 'People & Talent Innovators of the Year' award.

We value our people and want to do as much as we can to support them in every aspect of their lives.

We continued to promote our Employee Assistance Programme (EAP), hosting a webinar from EAP provider Health Assured to showcase the wide range of services available to our people.

We also held webinars on a range of subjects, from mental health and financial wellbeing to the menopause.

As part of our ambition to provide a culture in which our people can truly thrive, we have teamed up with internationally renowned business school, Cranfield School of Management, to offer a development programme for our leaders of tomorrow.

The Queen's Platinum Jubilee gave us the perfect excuse to celebrate with our sites and offices. Our people certainly got into the spirit of the occasion.

Our partnership with ParalympicsGB saw us rubbing shoulders with some of the biggest businesses out there as we picked up Gold for the Best Engagement of an Internal Audience at the Corporate Engagement Awards.

Our People team were named ‘HR Team of the Year’ at the Construction News Workforce Awards.

The awards recognise those making a difference in recruitment, workforce development, wellbeing, diversity, inclusion and more. Our team were commended on our ‘Best Place to Work’ initiative, the successful delivery of our online Reward Hub and our improved approach to resourcing.

Our People team picked up the ‘HR Team of the year’ award at the Construction News Workforce Awards.

Our 2022 graduate cohort enjoyed an action-packed team building exercise in the Lake District.

CLOSER TO **OUR SUPPLY CHAIN**

SUPPORTING EACH OTHER'S SUCCESS

In challenging times, the strength of our relationships with our established supply chain is more important than ever.

Our supply chain partners are an extension of our team. They share our values, our approach and our commitment to excellence in project delivery, helping us drive innovation and deliver best value for our clients.

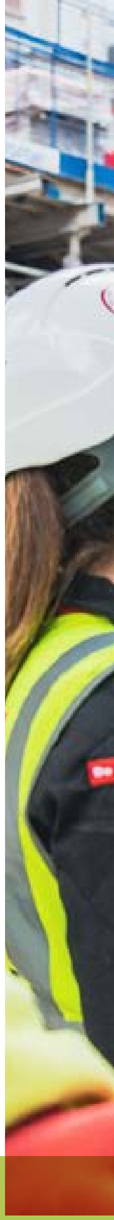
Our open and collaborative way of working and the clear lines of communication we establish with our partners help reduce risk on our projects.

With inflation, the availability of materials and labour supply representing key challenges through the year, our partnering approach has seldom been more important.

Our supply chain are facing new and evolving pressures, so understanding their operations and the challenges they face and adapting to accommodate their needs is essential to supporting their success and our ability to service our clients' needs.

We have strengthened our relationships with key supply chain partners, offering our support and the benefit of our expertise and industry knowledge wherever possible.

The 10-storey Gateway Central building forms part of the redevelopment of the White City Place site, formerly known as the BBC Media Village.



The year saw the launch of a new procurement system, Medius, which will significantly improve how we work by bringing us closer to our supply chain.

Through automation and standardisation, Medius will improve our supply chain management. The system will give us greater visibility and control of our procurement activities, which will allow us to build closer strategic relationships with our suppliers and negotiate stronger contracts. We will also be able to better assess and manage the performance of our suppliers, ensuring that we work with the best partners, who deliver to our high-quality standards.

We continue to deepen our relationships with our strategic framework suppliers. Encouraging collaboration, intelligence sharing and innovation, these relationships are built on mutual trust and allow for greater surety in our supply chain. This is essential, especially when it comes to critical materials. Throughout the year we have hosted virtual presentations from key supply chain partners to our people, sessions which are invaluable in driving improved understanding and awareness between our businesses.

The A533 Expressway bridge project included the off-site construction of a new 67m span steel bridge and its transport along the motorway to be installed.

The benefit of the strong partnerships we build with our supply chain partners is evidenced in our teams' ability to deliver beyond expectations for our clients.

The excellent collaborative relationships developed on our M6 Junction 19 project for National Highways saw the team transfer near wholesale on completion to our next National Highways Regional Delivery Partnership Framework project: the replacement of the A533 Expressway bridge over the M56 near Runcorn in Cheshire.

Building strong relationships with the consultant team was critical when Covid hit during the pre-construction period of our Gateway Central project. The 10-storey building forms part of the redevelopment of the White City Place site, formerly known as the BBC Media Village.

Developing the design work to programme without much face-to-face time showcased the strength of the relationships on the project and the broader commitment from all involved to getting the project completed on time for our client.

CLOSER TO **OUR COMMUNITIES**

HELPING COMMUNITIES FLOURISH

Proudly building Britain's future heritage goes beyond the projects we deliver and extends to the positive, long-lasting legacy we leave within society.

We are enormously proud that, despite the challenges faced within our industry, our work in local communities continues to go from strength to strength.

It is a true testament to the character of our people, that in a time of uncertainty, their instinct is to keep on giving and to carry on going the extra mile for others.

In 2021/22, through our relationship with ActionFunder, a social platform using "tech for good" to match businesses with communities, we embarked on our third year of Strong Foundations Grants supporting grassroot initiatives and charity groups across the UK. So far, 95 projects have been funded, reaching an estimated 70,000 beneficiaries.

13 of our live construction sites took part in Open Doors Week 2023, an annual event that offers people a unique opportunity to learn about the construction industry and explore the exciting career prospects available.


Steel
Doors
SCAN ME
Sir Robert McALPINE

A Strong Foundations Grant funded climate change impact workshop for families using an interactive storybook for inspiration in Birmingham.

Our Strong Foundations Grants allow us to give back to local communities.

In 2022, we donated a total of £127,268 across 12 Strong Foundations Grants, covering a variety of initiatives and social causes, directly helping local communities close to our projects.

The following examples illustrate the impact these funds had within local communities.

- Through Oxfordshire Youth, 350 delegates attended a mental health conference and 30 hours of adolescent mental health training was delivered to 222 families.
- A total of 36 older people living with dementia were supported at gardening sessions run by Alive Activities Ltd.
- Across three sessions a week, 90 children and young people took part in team building activities thanks to money provided to N Gage.
- Around 500 people in need received free, nutritious meals directly to their door over a 12 week period thanks to our grant to Oxford Mutual Aid.

> Those months in-between receiving my diagnosis and before joining Incredible Kids were some of the hardest and most stressful, and my family felt confused and alone. But then I attended my first Incredible Kids session. And suddenly I didn't feel alone anymore. Suddenly I felt accepted, and I had something to look forward to every week. Thank you for giving me (and my mum) the chance to be myself, to laugh, to cry, to swing, to skate, to relax, to run, to make new friends and to have fun...with you.

Anon, 15

We started a partnership with ActionFunder in 2019, a platform which helps us to support grassroot charities and organisations near the sites where we operate.

Our project team at ONE Station Hill in Reading welcomed two Year six classes from the nearby Civitas Academy, to take part in a time capsule project. They offered the pupils a guided tour of the site and taught them about construction processes and the equipment being used.

"It was great seeing the kids have such a good time, all while learning about the construction and having the opportunity to ask lots of questions." Lee Fearnhead, Director of Construction UK/Europe at Lincoln Property Company.

During Newcastle's three-day 2022 STEMFest, we helped inspire the next generation of STEM students, highlighting the variety of STEM careers available in the North East to more than 3,000 pupils through interactive and fun sessions.

For the second year running, we are supporting English Heritage's 'Conservation on the Road' programme, which sees a specially equipped van travelling up and down the country to showcase some of the vital conservation work undertaken at the charity's sites. The aim is to bring this work to life for visitors of all ages and to encourage them to consider careers in the heritage and construction industries, particularly around traditional skills.

When we were asked to help a good cause, we were more than happy to oblige, even if the request was to build a house fit for life on Mars. 'Martian House' is a two-storey, gold inflatable house in the heart of Bristol, designed to showcase the possibilities for human life on Mars. We worked as part of the Southern Construction Framework to help bring the vision to life.

Our team at Sunderland Riverside welcomed a group of local sixth form students to site for a tour and a discussion on entry routes to the construction industry.

The new Co-op Academy at Belle Vue in East Manchester is making a big contribution to the local community outside of the classroom. The new sports block was built with separate access to enable the wider local community to benefit from the facilities.

CLOSER TO **OUR CHARITABLE PARTNERS**

SHINING A LIGHT ON OUR INSPIRING PARTNERS

Our partnerships with cancer support charity Maggie's, ParalympicsGB and the Construction Youth Trust are a source of immense pride.

We've been working with Maggie's for more than a decade, supporting the vital work they do to help those impacted by cancer. Our people have taken Maggie's to their hearts and Spring 2022 saw us mark a milestone six years in the making as we reached our £1m fundraising target for the charity.

We're enormously proud of all those who, over the years, have swum, baked, cycled, run, hiked and walked to help us deliver our target. The money raised has helped countless individuals and their families.

We have now launched our next fundraiser for Maggie's, which will see us raise funds to pay for 100,000 hours of Maggie's support for those with cancer and their loved ones.

Our teams went 'Outrageously Orange' for Maggie's.

Our relationship with the Construction Youth Trust (CYT) goes back significantly longer. We were involved in founding the charity back in the 1960s and have worked with the CYT ever since to inspire and enable young people to overcome barriers and follow a career in the construction and built environment sector. This year was no exception, as our people continue to volunteer and take part in CYT programmes that support students with a range of activities, from mock job interviews to discovering new trade skills.

We've been an official partner of ParalympicsGB since 2019 and will be supporting the team all the way to Paris 2024.

It's an honour to be able to provide our backing for what is the most inspirational group of athletes in the UK. The values we share with ParalympicsGB: a commitment to the constant pursuit of excellence and a passion for inclusion, make this a very special partnership.

In a highlight of the year, our 'Best of British' lunch in aid of the team, was a huge success, raising a whopping £60,000 to help support our athletes.

Our thanks go to all those who supported the event.

At the 'Best of British' lunch, guests had the chance to mingle with athletes, including seven-time Paralympic champion, Hannah Cockroft OBE.

Colleagues came together across the business to go 'outrageously orange' to help raise funds for Maggies.

Hard hats off too to the brave souls who took a leap of faith abseiling off the ArcelorMittal Orbit to raise funds for ParalympicsGB.

In partnership with the CYT we provide site visits and construction careers guidance.

CLOSER TO **OUR PEERS**

HELPING DRIVE OUR INDUSTRY FORWARD

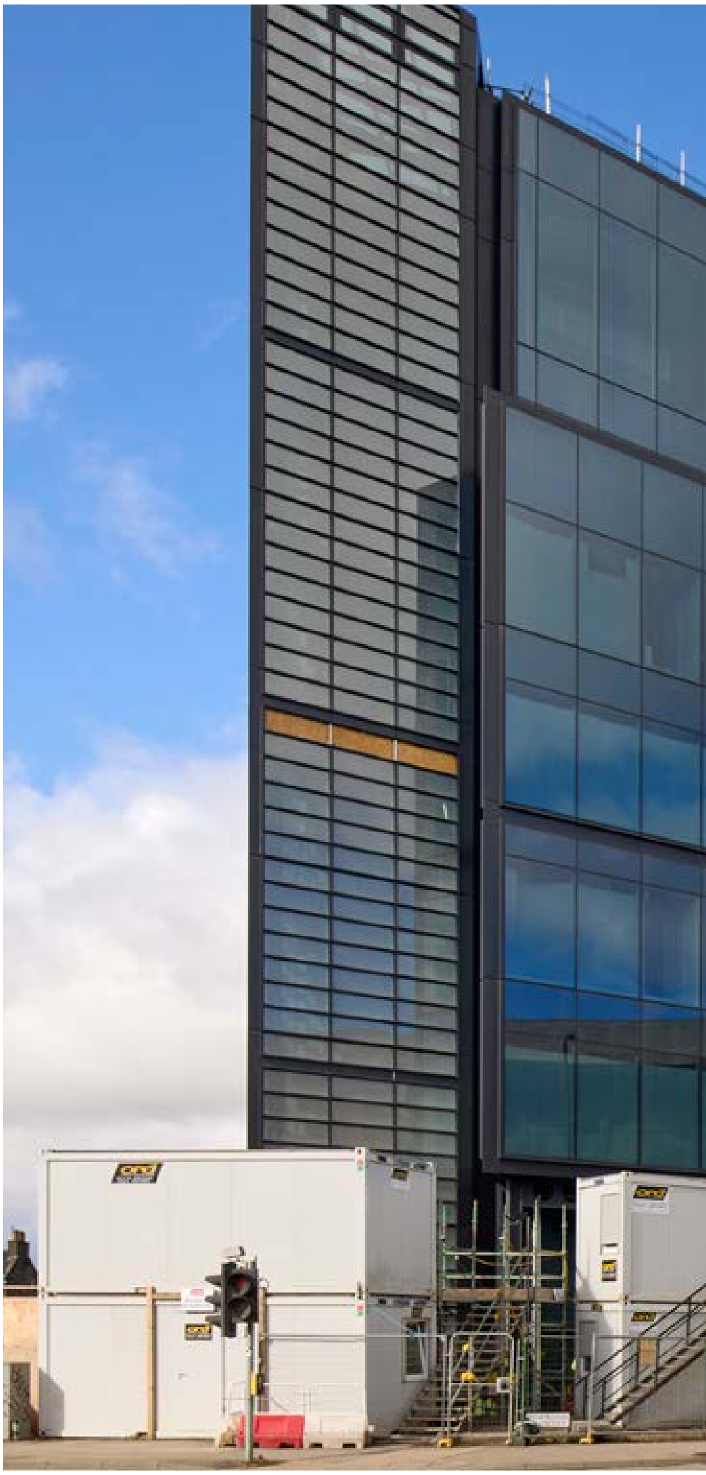
The industry has been facing unprecedented challenges, and, more than ever, we believe that close collaboration with our peers across construction is key to building resilience and driving productivity and performance, for the benefits of the wider economy and all in society.

The Private Sector Construction Playbook

During the pandemic, we had to adapt the way we worked, and we demonstrated, as an industry, that we could achieve amazing results through collaboration.

Recognising the need to build on that momentum, we joined the Construction Productivity Taskforce, a group of construction industry leaders founded by productivity champions 'Be the Business', whose goal is to promote trust and collaboration in a highly fragmented industry that can lack transparency. This, in turn, will help the industry reduce waste, address the skills shortage, and reduce the impact of low margins and investment in UK construction.

Together, we have produced the Private Sector Construction Playbook, a landmark publication aimed at combating low productivity in the industry.



Our Haymarket B4&5 fit out project in Edinburgh offers a glimpse into the future. Extensive services enhancements will integrate with the current installations to provide a smart enabled building capable of adapting to the needs of the people and the businesses within it by increasing comfort, efficiency, resilience and safety.

Building Safety Act

We are committed to ensuring that the buildings we deliver are safe for the people occupying them.

We have embraced the Building Safety Act and are currently working as part of the early adopters' group with Government and the Building Safety Regulator to ensure we are ready for the secondary legislation when it becomes law. We have been a Registered Signatory of the Building a Safer Future Charter, since February 2021.

We have also been part of the working group for British Standards Institute competence and PAS (Publicly Available Specification) 8672 and deployed a competence framework aligning to these principles. This way, we can ensure that the people on our projects have the correct competencies.

Our quality culture means that we consistently endeavour to apply a more forensic and digital approach to quality delivery across our projects.

Working with Capital Ventures to make places that matter

Sir Robert McAlpine Capital Ventures is a developer, investor and operator with over 25 years of experience.

Throughout the year we have continued to work with our sister company Sir Robert McAlpine Capital Ventures on a number of projects including a build to rent development at Hockley Mills in Birmingham, new state of the art care facilities for Springfield University Hospital in Wandsworth and the routine operation and maintenance of two highways projects: 120km of the A19 in Teesside and 90km of the A74/M74 in Scotland.

We also commenced work on site at Monkwearmouth Hospital in Sunderland for Sir Robert McAlpine Capital Ventures' first project procured through the Pagabo Developer Framework.

Capital Ventures operates the 30 year concession responsible for this network of strategic dual carriageways. Initial upgrading of the network including refurbishing bridges and viaducts has been followed by ongoing responsibility for routine operations and maintenance of the network.

A Capital Ventures led joint venture is delivering new state of the art care facilities which are connected to the surroundings and the community for Springfield University Hospital.

Sir Robert McAlpine Capital Ventures aims to develop with pride and make places that matter. For example the team created environments to provide a wide spectrum of learning at City of Glasgow College.

The team delivers built environment and placemaking solutions tailored to the needs of people and locations, from places people choose to live and relax to schools and colleges educating future generations. From hospitals caring for thousands of patients to roads used by millions of motorists, the team's purpose is to improve people's everyday lives.

Further information is available here:
www.srm.com/capital-ventures/

CLOSER TO **A DIGITAL AND DATA DRIVEN FUTURE**

TRANSFORMING TO DELIVER MAXIMUM VALUE

Digital construction has revolutionised the way we procure, deliver and hand over our building and infrastructure projects.

It's a continuously evolving area, which requires ongoing investment as our projects and teams adopt new ways of working to deliver maximum value for our clients.

Increasingly, BIM, information management, digital technology tools and data are driving our business decision making and changing the way we work for the better.

Digitalisation is improving predictability, productivity, performance and transparency, enhancing the efficiency and consistency of project delivery and supporting us to meet legislative requirements.

Our ISO19650 accreditation provides the foundation for us as we continue to drive the performance of our partners on digital, whether working with our supply chain to explore the art of the possible or supporting key clients with their digital strategies.

Digital tools are helping improve productivity on our sites.


Sir Robert McALPINE
MUNIRA WILSON MP

Our contribution to the sector this year includes:

- Our continued involvement in NIMA (formerly the UK BIM Alliance) as co-steering group lead for the Affiliates programme supporting industry institutes (CIBSE/CIOB/RICS/ BEAMA/ICE amongst others).
- Acting as co-steering group lead with the Supply Chain Sustainability School on the development of their Digital Leadership Mindset Programme.
- Working with the Career Colleges Trust to develop a digital construction curriculum for colleges.
- Providing our knowledge and lessons learnt to the Private Sector Playbook in relation to digital and information management.

We continue to drive innovative solutions pushing the boundaries through examples such as utilisation of AI technology to increase efficiency and decrease costs on a healthcare project at Royal Bournemouth Hospital. Adopting the platform to generate accurate progress reports supported by visuals, providing managers and stakeholders with accurate, objective data and in-depth analysis.

This render by our visualisation team shows how McAlpine Lifting Solutions devised a solution where a crane that will be located 15m above a live highway is supported from the project's basement.

Bournemouth Hospital's new BEACH (Births, Emergency and Critical Care, Children's Health) building is the first in the UK to be constructed using technology from Buildots, which automatically analyses data captured on site via helmet-mounted 360° cameras.

Our digital expertise has won us industry recognition, our teams picking up four key awards:

Digital Construction Awards, Digital Construction Project of the Year and Digital Innovation in Offsite Construction Award.

Building Awards, Digital Excellence Award.

Building Innovation Awards, Most Innovative Commercial Project.

Our digital construction expertise goes from strength to strength, offering a powerful means of providing our clients with certainty and confidence. Our in-house team of specialists produce compelling renders, sequences, and other digital experiences so our stakeholders can explore their schemes in detail. These visually rich, virtual interactive simulations bring people closer to the designs, and build public confidence and investor support throughout the lifecycle of a project or programme.

Services include providing greater clarity on logistics and leading to cost saving measures, with conflicts and potential problems identified, addressed and resolved earlier in the process.

Our in house visualisation team has even begun exploring how we can use powerful real time game engines to expand the services we offer: creating environments that can be explored in 3D and altered in real time while still offering the visual quality of a rendered animation.

Our digital team received multiple awards including the Digital Excellence Award at the Building Awards.

CLOSER TO **TRUE INCLUSION**

EVERYONE IS WELCOME AT SIR ROBERT McALPINE

We have been on a journey to drive a culture that is truly inclusive and where everyone can thrive.

Being inclusive reflects the family values at the core of who we are. As an inclusive business, we want to provide the best possible working environment for all our people.

Through our actions, we are constantly seeking to promote better mental health in construction, gender parity throughout the industry, and a more diverse workforce that truly reflects the society around us.

Reach: Our inclusion journey

We shared our first inclusion report, “Reach: Our inclusion journey”, to highlight the progress we have made, and the areas where we are looking to do better, as we seek to deliver on our commitment to leading by example on inclusion and inspiring industry-wide change.

The report looks at our people, our policies and our history. It features case studies from around the business and emphasises the social value that we create through our work with local communities and our partnerships.

Set to run annually, our Future Leaders Programme provides a structured development path for team members looking to progress their careers within the business, while attaining an externally recognised qualification.


Cranfield
School of
Management

Flexonomics report

We have been championing flexible working and campaigning to make it available to everyone since 2019. Notably, we have contributed to consultations from the Government and backed Flex Appeal, which was initiated by flexible working campaigner, Anna Whitehouse.

In November 2021, in collaboration with Anna and Pragmatix Advisory, we published "Flexonomics: the economic and fiscal logic of flexible working", the first in-depth report to showcase the benefits of flexible working to the UK economy. The report also provides realistic policy recommendations to support increased levels of flexible working.

Flexible working for frontline workers

We have teamed up with consultancy Timewise to understand how on-site construction could also benefit from flexible working, with ongoing trials set up on two of our projects.

Feedback from both the trials has been overwhelmingly positive. Our people are relishing the opportunities this new way of working is giving them to take time for self-care, childminding or simply to properly recharge their batteries.

STEM Contribution Award

Our Align team worked with a local school to challenge the stereotype that the construction and engineering sectors cannot be inclusive of people with disabilities, tailoring a SEN (Special Education Needs) work experience programme for the students. A total of 23 students have completed the programme with great success, sharing enthusiastic feedback about their experience and the prospect of working for HS2.

Affinity and Employee Networks

Our seven Affinity Networks and our Employee Network are the cornerstone of our inclusive culture, making sure everyone in the business has a voice and is heard at senior level.

Below are a few examples illustrating how they have made an impact.

Family leave policy

At the end of 2021, our Gender Equality Affinity Network championed the review and successful implementation of a revised Family Leave policy. The policy aimed at restoring greater equality to the leave entitlements of both parents. This industry leading policy entitles new parents (irrespective of gender) to 26 weeks' paid leave, upon birth or adoption of their child.

Our Align Joint Venture won the 'STEM Contribution Award' at the 2022 HS2 Inspiration Awards.

Anna Whitehouse with SRM Chief Executive, Paul Hamer, at the launch of the Flexonomics report.

Menopause support

In order to increase understanding of the menopause and challenge the taboos that can prevent people from getting the support they need, we developed and shared a guidance document with our people, and arranged webinars for our line managers. A dedicated area relating to the menopause was added to our internal learning platform and a peer-to-peer group established within the business.

Trans Awareness

For Trans Awareness Week, our LGBT+ Affinity Network produced a glossary of key terms and phrases to broaden everyone's knowledge and help support trans people. We also encouraged everyone to add their pronouns to their email signature to help signal acceptance.

Black History Month

In collaboration with our Cultural Diversity Affinity Network, we shone the spotlight on colleagues, giving them a platform to share their experiences, and their reflections on diversity and inclusion.

National Inclusion Week

National Inclusion Week in September is an important opportunity for us to celebrate the significant strides we have made in recent years in ensuring that Sir Robert McAlpine is an inclusive place to work. It allows our Affinity Networks to reflect on what they have achieved so far and to focus on some of the challenges we still face, so that we can continue to create a culture where everybody feels comfortable and can thrive.

SPECIALIST TEAMS CREATE VALUE **FOR CLIENTS**

Our teams of in-house experts work closely with our construction services to deliver technical excellence and create value for our clients.

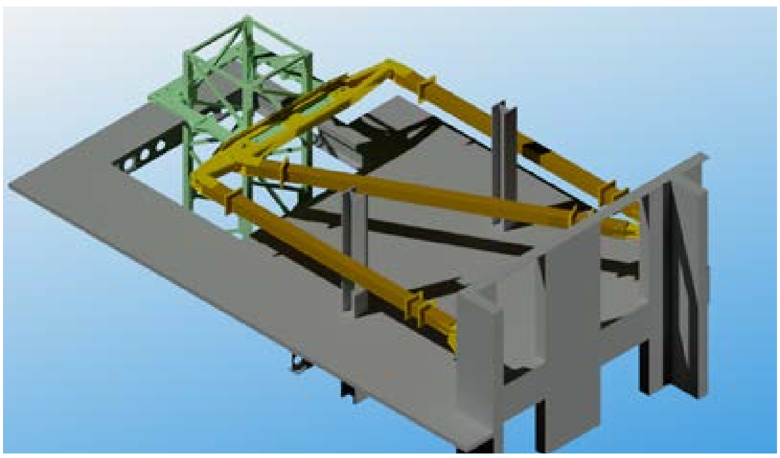
COMPREHENSIVE PLANT AND LOGISTICS EXPERTISE

Our experienced team of specialists has the plant, equipment and technical know-how to service our most complex projects. They provide creative and reliable solutions for site set-up, plant logistics and access.

They have trialled and successfully implemented hybrid generator power to our projects across the business and transitioned to Hydrogenated Vegetable Oil diesel fuel for all plant across the business, reducing emissions and saving costs.

We have introduced Health, Safety and Wellbeing 'Minimum Standards' support for plant including fully enclosed cab dumpers, 360° cameras for telehandlers and a halo system for forklift vehicles.

Our team has supplied 11 tower cranes to the Align JV which is working on the Colne Valley Viaduct as part of the HS2 Civils Package C1.



This render shows a M^c^Alpine Lifting Solutions design for a tower crane tie.

SAFE, BESPOKE SOLUTIONS FOR CLIENTS

Our in-house McAlpine Lifting Solutions (MLS) team engage with subcontractors at the earliest opportunity to optimise lifting solution designs and their impact on the permanent works and sequencing of projects.

Examples include examining crane base interfaces which are required to support cranes reaching up to 160m+.

MLS were proud to complete two UK firsts this year.

With R&D partially funded by a HS2 innovation grant, MLS developed the ability to predict site and height specific wind speeds using the tower crane's anemometer. Artificial Intelligence compares local historic data with actual crane measured wind speeds and applies a correction to the national weather forecast.

MLS also developed a means of modelling complex wind flows in the urban environment which provide an accurate perspective of how wind accelerates around upstream obstacles and the impact on cranes.

Although wind modelling is not new, applying it to complex moving items like a crane is.

Benefits to our clients and projects include modelling pedestrian comfort, cladding design, crane winding off allowances on the programme and also rationalising crane base designs.

Alternative foundation proposals devised for Integrated Health Projects at Derby, Chesterfield and Loughborough identified significant cost and programme reductions, enabling all three projects to meet client budgets and proceed.

BUILDING IN VALUE BY DESIGN

McAlpine Design Group (MDG) are our in-house design specialists. Their emphasis is on ensuring safe construction methods, value for money and sustainability, doing more than turn our clients' visions into reality

The breadth of expertise within the team encompasses architectural, civil, structural and geotechnical design as well as nuclear-related structural and civil design.

Technical Governance reviews identify project risks, opportunities and value at varying stages of design by analysing geotechnics, infrastructure, buildability, structure, architecture, roof, fire and façades along with crane lifting strategies, geospatial and air tightness.

MDG worked with CIRIA to compile 'Report C806 - Repurposing & Reconfiguring Buildings'. The team has also been working with lead UK universities on reducing carbon in concrete for structural applications in the built environment.

MDG's 13 year long term relationship with EDF Energy Nuclear Generation has continued with recent contract awards including the design of new buildings for Sizewell B, safety case assessments for the AGR pressure vessels, and 4D visualisations of decommissioning sequences.

Temporary works design was provided for Align JV at HS2 for the North and South portals, along with five ventilation shaft sites.

A SPECIAL PASSION

RESTORING, CONSERVING AND CREATING

Our Special Projects team works with clients who tend to have one thing in common: a true passion for their properties.

Repurposing and conserving building stock has been the driving force behind Special Projects' work since the team was established seven years ago.

From the adaptive reuse of buildings like 80 Strand, to the conservation of historic landmarks such as the Elizabeth Tower, and the delivery of architecturally prototypical Maggie's centres, the team's projects demand a degree of care which exceeds the norm.

Since its first project, the delivery of the Royal Albert Hall heating and cooling project, Special Projects has gone from strength to strength.

The complex cut and carve at 120 Oxford Street, the first phase of work at the Courtauld Institute of Art, the Inner Portico at St Paul's Cathedral and the extension and conservation of Kensington Palace Orangery have all helped establish the Special Projects team as an eminent brand in the marketplace.

At Elizabeth Tower we have undertaken the largest repair and conservation programme in its rich history.

The Remember Me Covid-19 Memorial at St Paul's Cathedral in London is perhaps one of the defining projects of the year.

Sitting within the North Transept, the double-height portico houses an online book of remembrance celebrating the memory of those who have died as a result of Covid-19.

Clad in UK-sourced oak and mirroring the geometry of the Cathedral, this highly technical, elliptical structure is the first project of its kind to have been completed inside St Paul's for 130 years.

Delivery of a technically challenging basement for the Grade II listed Shaftesbury Theatre is the latest in a series of works completed at the West End venue. We have been working inside the theatre since 2018, delivering structural alterations and new services solutions to make the theatre as comfortable as possible for its staff, performers and visitors.

80 Strand in London showcases the exceptional quality achieved by our Special Projects team. The scheme, for client Strandbrook, was delivered over the space of 22 months and involved remodelling of the interior of the Grade II listed building to provide a more contemporary working environment.

Our client's satisfaction with the team's work was reflected in their appointment of Special Projects on the £120m refurbishment of the Grade II listed Barkers of Kensington department store.

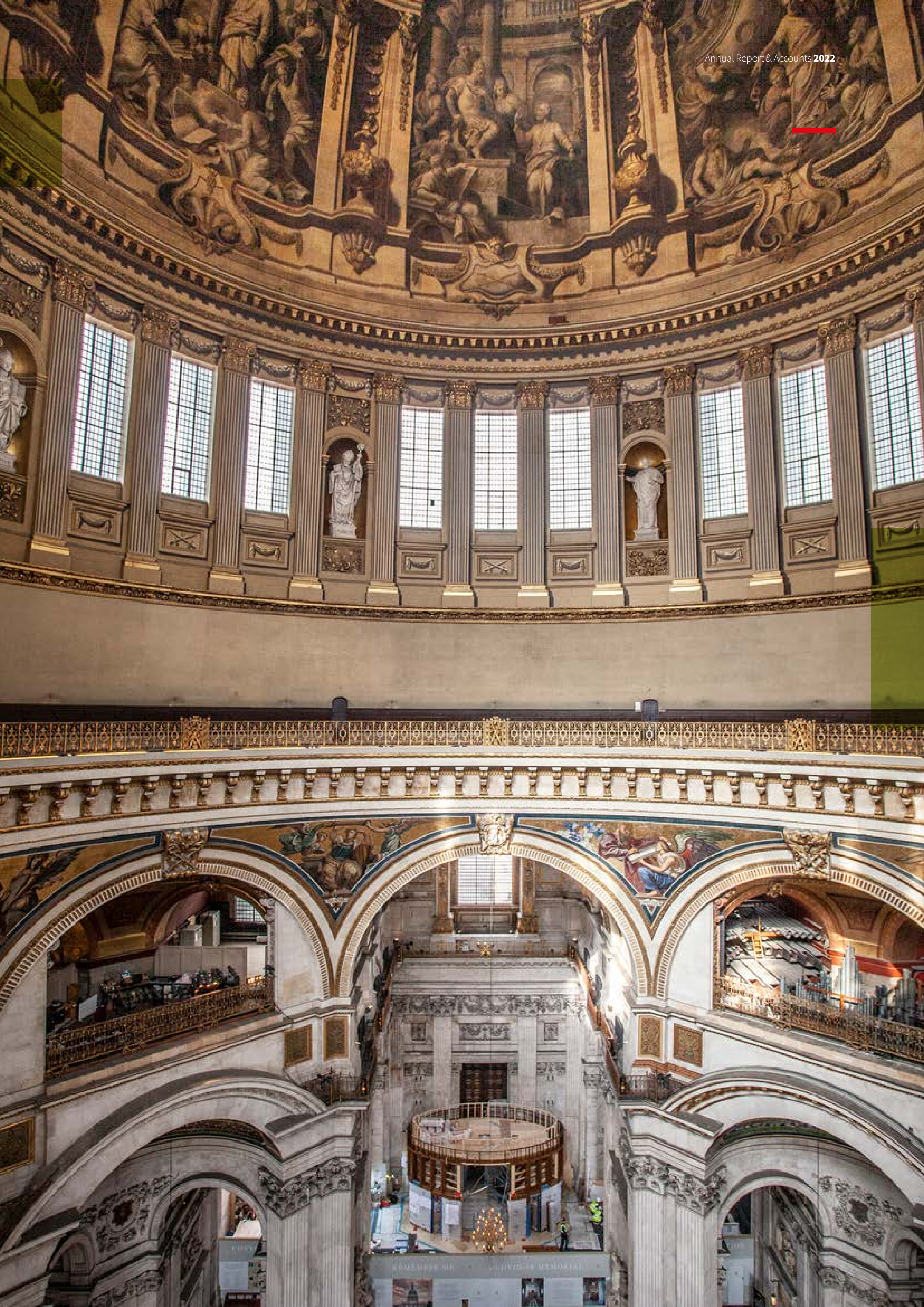
Projects secured by the team also include the contract to deliver the National Gallery's NG200 project. Part of a programme to mark the gallery's 200th anniversary, the project will see the building's Sainsbury Wing, originally built by Sir Robert McAlpine and opened in 1991, remodelled to better meet the requirements of a modern gallery.

We are also working on the major remodelling of the Westbury Hotel in Mayfair. This has required a highly technical basement expansion just metres above the Victoria Line, and has required close liaison with Transport for London and extensive work to mitigate the noise and vibration from the permanent works.

At the Westbury Hotel in Mayfair, highly technical basement works have required close collaboration with Transport for London.

Opposite page:

We were proud to deliver the Remember Me Covid-19 Memorial at St Paul's Cathedral.



SPOTLIGHT ON HS2

It's been a phenomenal year of milestones for our HS2 Align joint venture who are delivering the Chiltern Tunnels and Colne Valley Viaduct main works civils contract (Lot C1), a key section of Phase One of the HS2 high-speed rail network between London and Birmingham.

In February, delivery took a major step forward, with the construction of the first of 56 giant concrete piers that will support the 3.4km Colne Valley Viaduct as it crosses a series of lakes on the outskirts of London.

Production of the 1,000 concrete segments that will form the deck of the viaduct commenced in March. The segments weigh up to 140 tonnes and are being produced in a temporary on-site factory specifically built for the project.

In August work started on the 38 cross passages linking the parallel northbound and southbound tunnels. An expert team of miners used a remotely controlled excavator to break out of, and excavate from, one running tunnel to the adjacent tunnel.

Recently, the last of 292 concrete piles that form the foundations for the Colne Valley Viaduct have been installed, marking a successful end to the first phase of this project for Align HS2. In order to deliver the 66 piles in the lakebed, the team had to construct over a kilometre of temporary jetties, with cofferdams to hold back the water around each set of foundations.

In May 2022 the launching girder that will assemble the Colne Valley Viaduct installed the first of the 1,000 segments that will support the bridge. The 160m long girder is 18m high, 18m wide and weighs in at around 700 tonnes.

Tunnel Boring Machine (TBM) Florence completes her first mile. Florence and her identical sister TBM 'Cecilia' are excavating twin ten mile long tunnels. They are self-contained underground factories: digging the tunnel, lining it with concrete wall segments and grouting them into place as they move forward.

A hugely complex project, the restoration of Elizabeth Tower combined the latest construction techniques with traditional conservation skills.

Work included conserving the stonework and cast-iron roof, as well as dismantling the Great Clock piece by piece, with each cog examined and restored. The four clock dials were carefully cleaned, the glass replaced and the hands conserved.

OUR SUSTAINABILITY **STRATEGY**

We develop lasting sustainability programmes, tools, and expertise that respond to the ever-evolving needs of our clients and our sector.

As we embed sustainability ever deeper into our business, we are improving how we operate:

- Reducing our carbon emissions.
- Transitioning to a more circular model of resource use.
- Embedding ethical procurement into our working practices.
- Delivering powerful social value.

Our sustainability strategy gives us the freedom to consistently deliver solutions that provide lasting benefit to our clients, our local communities and the environments in which we work.

Built on a solid foundation of environmental management, our four pillars of sustainability define what sustainability means to us.

Alignment with the UNSDGs

Delivery of our sustainability strategy aligns with the UN Sustainable Development Goals (SDG)*. Goals which are designed to be a “blueprint to achieve a better and more sustainable future for all”.

*With the exception of Goals 1, 2, 14, 16 and 17.

Our team of sustainability professionals work tirelessly to embed sustainability into our project delivery, upskilling our people and supply chain partners to ensure that we deliver on our promises.

Environmental, Social and Governance at Sir Robert McAlpine

We're mindful of the impact that we have on the world around us, and firmly believe that our sustainability objectives and targets are critical to the long-term success of our organisation.

The emergence of Environmental, Social and Governance (ESG) has brought this into sharper focus. Our sustainability strategy focuses heavily on environmental and social deliverables, ensuring that we're well positioned to deliver on the ESG requirements of our clients and contribute to a more sustainable construction sector.

The requirements of our sustainability strategy are embedded into our corporate governance and our Build Sure way of working, meaning that sustainability, and therefore ESG, are at the core of our business.

Over the course of the next year, we will continue to analyse best practice in ESG and develop and embed a holistic approach to its targeting and delivery across our business. This will help us build resilience by ensuring that we are well positioned to navigate evolving regulatory requirements, changing consumer preferences, and shifting market dynamics.

Summary of performance

CARBON

- **48%** Scope 1 & 2 Emissions
- **22%** Scope 3 Emissions
- **22%** Absolute Emissions

RESOURCE EFFICIENCY

- **5.5%** Reduction in absolute construction waste
- **98.5%** Diversion from Landfill
- **32.8T/£M** Construction Waste Intensity

ETHICAL PROCUREMENT

- **95%** Responsible Sourcing
- **29** Ethical Labour Practice Audits
- **12** Site Engagement Surveys

SOCIAL VALUE

- **£39.8M** Social return on investment

CARBON

We are committed to decarbonisation, with a focus on reducing our emissions to deliver a Net Zero Carbon (NZC) business.

Our focus

1. Measuring and reducing our carbon footprint in line with our aspiration to reduce our carbon emissions and become 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.

Reducing our carbon emissions and supporting the transition to a low-carbon industry and economy is important to us for several reasons:

- Regulatory compliance.
- Building capability and expertise in response to the changing needs of our clients.
- Cost savings through reduced consumption and increased efficiency.
- Business resilience in a changing world.

To guide us to NZC, we are following our five carbon principles:

Don't Delay
Don't let the magnitude of the task delay action

Collaborate
Work with the whole of Sir Robert McAlpine and the wider industry

Be Brave
We'll have to do things differently and embrace change

Reduce
Focus on reducing our emissions and long term benefit

Transparency
We'll be open, honest and transparent always

Overall, reducing our carbon emissions ensures that we will remain competitive in a rapidly changing global economy, maintain our industry reputation, and ensure our long-term sustainability.

OUR **TARGET**

Deliver an annual reduction in absolute carbon emissions and become a Net Zero Carbon business.

Our emissions reduction targets will be in line with a Science-Based Target initiative (SBTi) verified reduction pathway. We'll report annually against this pathway in line with our carbon principles.

During the year we have rolled out our embodied carbon tool across the business and are developing an as-built embodied carbon database.

Our progress in 2021/22

We have made significant progress this reporting year on improving our data collection and reporting processes, whilst successfully reducing our carbon emissions through the implementation of company-wide initiatives.

Following our commitment to the SBTi and our business ambition for a 1.5°C we have developed and submitted our carbon reduction targets for independent verification by the SBTi.

With transparency a key driver, we appointed the Carbon Trust to independently verify and validate our carbon footprint in accordance with ISO 14064-3 and calculate our Scope 3 footprint in line with the Greenhouse Gas (GHG) protocol corporate value chain standard. Given the significant impact our Scope 3 emissions have (accounting for 99% of our emissions) bringing them within scope provides the impetus to work with our value chain to target reductions.

Over the course of this reporting year we have focused on:

1. Increasing the scope of our measured carbon footprint and reducing our carbon emissions in line with our current pathway to Net Zero Carbon (NZC).
2. External verification of our carbon footprint and proposed 1.5°C aligned carbon reduction targets.
3. Evolving our design, procurement and construction practices to deliver lower carbon solutions for our clients and reduce the built environment's carbon emissions.
4. Development and roll out of a carbon literacy programme to empower our people to reduce carbon emissions.

An as-built Life Cycle Assessment of carbon emissions was undertaken for our client on completion of a commercial development at Edinburgh Park using our own in house capability.

Encouragingly, our performance shows a reduction of 22% in our total Scope 1, 2 and 3 emissions from our baseline year.

Breaking this down further, we have seen a reduction of 48% in our total Scope 1 & 2 emissions. This performance is driven by the continued roll-out of renewable electricity tariffs and transition fuel, Hydrogenated Vegetable Oil (HVO), as a replacement for more carbon-intensive diesel. Further detailed analysis of our Scope 1&2 performance can be found in the Streamlined Energy and Carbon Reporting section.

We have reduced our Scope 3 emissions by 22%. However, it should be noted that macro-economic factors i.e. the weakening of sterling vs the dollar, are likely to have influenced this reduction. This is because our current method of calculating the emissions for “Category 1: Purchased goods and services” is through the commonly used spend-based approach.

This spend-based approach uses Environmentally-Extended Input-Output data which align to US dollars. This highlights the importance of moving away from a spend-based approach and demonstrates the benefits that our data improvement programme will provide in 2023 and beyond.

We have rolled out our embodied carbon tool across the business and are developing our as-built embodied carbon database. This supports our move to a material quantity and specification-based approach for calculating carbon emissions across the business. It also means we are able to calculate, forecast, manage, and reduce embodied carbon emissions on our projects, whatever stage we get involved at, delivering benefits for both our clients and our business.

To ensure our people have the knowledge and skills in this ever-evolving field, we developed and rolled out phase 1 of our Carbon Literacy Programme, which has seen over 2,370 hours of training logged. More is scheduled for 2023, as we look to empower our people to drive change on our projects and across our business.

22%

REDUCTION IN ABSOLUTE CARBON EMISSIONS (SCOPE 1,2&3)

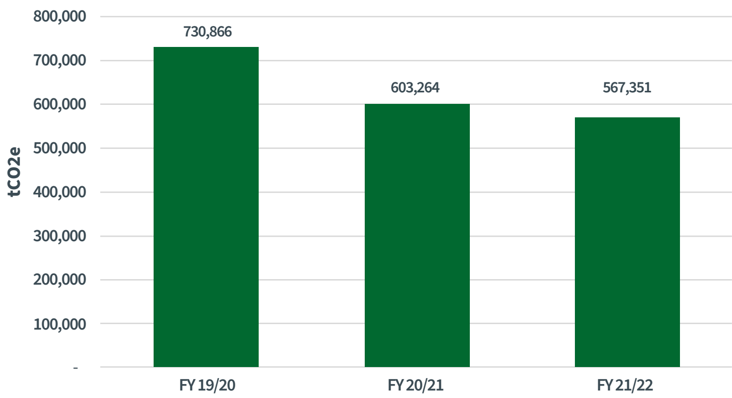
48%

REDUCTION IN ABSOLUTE SCOPE 1&2 EMISSIONS

22%

REDUCTION IN ABSOLUTE SCOPE 3 EMISSIONS

Total scope 1,2 and 3 emissions - market based (tCO2e)



Third party verification & validation of our business Carbon Footprint
In accordance with ISO14064-3

Submitted our 1.5°C aligned targets to the SBTi for official validations

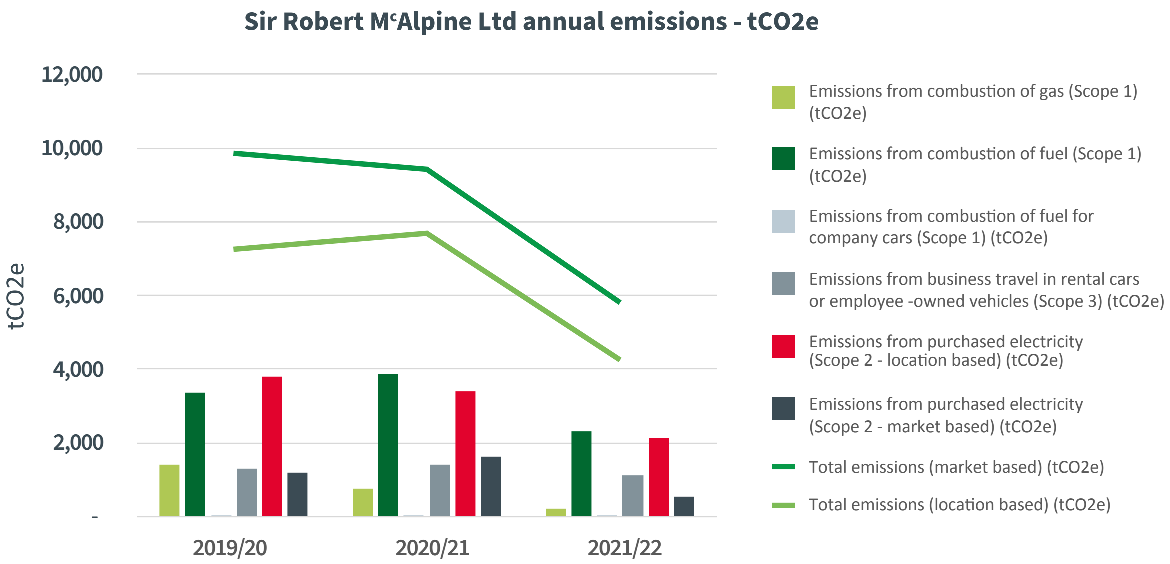
STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The table below represents Sir Robert McAlpine Ltd's energy use and associated emissions from electricity and fuel in the UK for the 2021/22 reporting year.

The scope of this data includes all of our construction sites and both our 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 emissions, where the Company is responsible for purchasing the fuel. The emissions factors used to calculate our emitted CO2e are UK Government Conversion Factors for GHG reporting for both 2021 and 2022, as well as market-based emissions factors for purchased electricity.

	2019/20	2020/21	2021/22
Total energy consumption used to calculate emissions (kWh)	41,409,488	39,970,129	28,290,078
Emissions from combustion of gas (Scope 1) (tCO2e)	1,399	768	217
Emissions from combustion of fuel (Scope 1) (tCO2e)	3,367	3,859	2,331
Emissions from combustion of fuel for company cars (Scope 1) (tCO2e)	19	15	9
Emissions from business travel in rental cars or employee - owned vehicles (Scope 3) (tCO2e)	1,285	1,416	1,135
Emissions from purchased electricity (Scope 2 - location based) (tCO2e)	3,783	3,386	2,133
Emissions from purchased electricity (Scope 2 - market based) (tCO2e)	1,195	1,620	552
Total emissions (location based) (tCO2e)	**9,853**	**9,444**	**5,825**
Total emissions (market based) (tCO2e)	**7,265**	**7,678**	**4,244**
Turnover (£m)	**819.5**	**937.2**	**1,086.9**
tCO2e (location based) per £m turnover	**12.02**	**10.08**	**5.36**
tCO2e (market based) per £m turnover	**8.86**	**8.19**	**3.90**



We are committed to decarbonising our business in line with our carbon principles. In 2022, we took a crucial step in our decarbonisation pathway by submitting our GHG reduction targets to the Science-Based Targets Initiative (SBTi) for verification. In support of this commitment, we have continued to refine our accounting processes and procedures to ensure our carbon footprint calculations are transparent and accurate. This refinement, along with third party verification of our dataset, has resulted in minor corrections and improvements to our previous datasets and therefore figures for 2019/20 and 2020/21 have been restated to ensure consistency with our approach moving forward.

We are pleased to report that our efforts are having an impact. This year saw a reduction across all metrics, with a decrease in both our absolute emissions (tCO2e) and consumption (kWh), as well as a reduction in carbon intensity (tCO2e per £m turnover).

This improved performance can be attributed to:

Gas combustion (Scope 1)
Our gas usage varies depending on the number of projects in our portfolio that use gas and therefore require commissioning, and the stage of each project in our reporting year. We continue to utilise our expertise to work with our clients to reduce their operational carbon emissions. This is achieved, in part, through increased use of renewable energy and the electrification of energy sources. As a result of work to decarbonise and move away from gas as a primary energy source for buildings, this year, our overall gas consumption has decreased significantly.

Fuel combustion (Scope 1)
Our emissions from fuel have decreased significantly due to the successful rollout of Hydrogenated Vegetable Oil (HVO) across our projects as a replacement for more carbon-intensive diesel. We are utilising HVO as a transition fuel whilst we investigate and trial alternative fuel technologies which will, in time, replace our HVO consumption. The carbon emission reduction realised by our fuel switch is further complemented by our drive to minimise fuel usage on our sites and our trials of electric and hybrid sources of power.

Electricity consumption (Scope 2)
Our overall emissions for electricity have decreased substantially this year. This has been achieved as a result of the continued roll out of renewable electricity tariffs across our business. An ongoing collaboration with our procurement department has ensured that we've increased the percentage of our electricity supplied by renewables from 56% in 2020/21 to 86% in 2021/22.

Business travel (Scope 1 & 3)
To increase transparency and ensure greater alignment with the GHG protocol and wider company carbon reporting, we are now reporting company car emissions separately from rental or employee-owned vehicles. We believe we will see further emission reductions in the coming years for our business travel, as the electric car infrastructure in the UK improves and the uptake of programmes like our employee electric vehicle car scheme (introduced in 2021/22) increases.

CLIMATE-RELATED RISK AND OUR RESPONSES

Energy efficiency actions undertaken
Following on from the strengthening of our ambition and our commitment to the Science-Based Targets initiative (SBTi), with a pledge to set emission reduction targets in line with a 1.5°C warming scenario, we have undertaken the following in 21/22:

- Appointed a Company Carbon Manager to oversee our carbon reduction programmes and energy efficiency measures, and to support and engage our project teams, supply chain and clients to deliver low carbon solutions.
- Completed a detailed foot printing exercise, hotspot analysis, and developed emission reduction scenarios for applicable Scopes 1, 2 & 3.
- Developed and submitted our carbon reduction targets to the SBTi for verification.
- Reviewed our data capture and reporting systems to increase the efficiency and accuracy of our data.
- Increased our supply of electricity from renewable sources to 86%, with an ambition to reach 100%.
- Rolled out the use of HVO fuel on our projects to reduce our diesel consumption.
- Transitioned more than 50% of our vehicle fleet to run on HVO rather than diesel, with plans developed to increase this to 100% in line with our plant improvement programme.
- Launched initiatives to help our employees transition to electric vehicles.
- Conducted ongoing trials of low-carbon materials and products on our projects.
- Developed and rolled out our mandatory carbon literacy programme for our staff.
- Developed and rolled out our embodied carbon process to undertake embodied carbon assessments and build our as-built embodied carbon dataset.

Climate-related risk and our response
With our industry-leading expertise, our ability to deliver on the ever-increasing climate-related ambitions and requirements of our clients represents a significant opportunity. However, we do recognise that climate change continues to pose a significant threat to our business over the short, medium and long term, through, for example:

- Acute and chronic physical risks due to the increased frequency of climate-related events such as fire, drought, flooding etc. impacting our supply chain through increased material scarcity and costs.
- Increasing regulation and oversight affecting the viability of our existing business model.
- Any failure to identify and adopt, where appropriate, advances in low-carbon technology and innovation.
- Damage to our reputation as a family-owned and values-led business committed to 'doing the right thing' if we fail to do all we can to address the climate emergency.

The risk to our business associated with climate change is continually reviewed to ensure that suitable control strategies are developed and implemented. These strategies are discussed and agreed with our Board, and are incorporated into our business planning. This ensures that the necessary support and investment is in place to mitigate the risks to an acceptable level, ensuring the ongoing success and viability of our business.

ETHICAL PROCUREMENT

Ethical procurement ensures that we buy goods and services in a manner that upholds our strategic aims and business values.

Sustainability and ethical requirements are identified and embedded into our procurement processes so that we deliver on our client requirements and use our purchasing power responsibly.

OUR **TARGET**

1. **Ensuring the materials we purchase are responsibly sourced to a recognised third party standard.**
2. **Conducting Site Engagement Surveys and Labour Practice audits on our sites and within our supply chain.**

95%

KEY BUILDING MATERIALS RESPONSIBLY SOURCED

29

ETHICAL LABOUR PRACTICE AUDITS

Our progress in 2021/22

Responsible sourcing

We aim to source materials which are manufactured under the control of a third-party certified process, to standards like BES6001 and IS014001. This reporting year we improved on our FY20/21 performance (92%).

We have introduced an online data collection tool with improved data governance, which has streamlined our data collection and analysis and given us confidence in our dataset. This ensures that we are able to accurately forecast and report the sustainability performance of our materials. For example, the embodied carbon emissions which form part of our scope 3 emissions, and therefore contribute to our carbon reduction ambitions.

Labour and supply chain

With a significant proportion of our spend with our supply chain partners, we work with them to address any risks that may result from our procurement decisions.

We continue to roll out our programme of Site Engagement Surveys and Labour Practice Audits which enable us to pinpoint where in our supply chain issues may manifest.

Labour Practice Audits are conducted both with our directly-contracted supply chain partners, and those we don't contract with but who are still present on our sites. This reporting year we've increased the number of audits across our operations to 29.

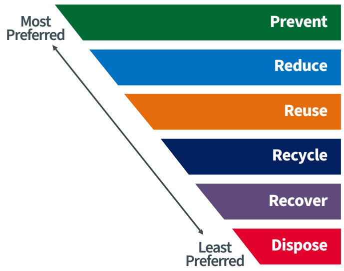
Our ethical procurement activities also support our ongoing work to combat the modern slavery risk within our industry. For more information, please read our **Modern Slavery Statement**.

RESOURCE EFFICIENCY

Resource efficiency requires a holistic approach to design, procurement, and construction to reduce resource consumption, increase reuse and recycling, and minimise waste generation in line with the waste hierarchy.

Our aim is to make sure we use all resources throughout our business in the most efficient way, to reduce waste.

This helps us minimise our environmental impact, reduce costs, comply with regulations, and meet consumer demand for more sustainable products and services.



OUR **TARGET**

1. **Identifying waste reduction opportunities as early as possible and put in place programmes to deliver an annual reduction in construction waste in absolute terms.**
2. **Monitor and report construction waste intensity in tonnes per £million turnover.**
3. **Maintain our historic performance of high diversion from landfill reporting.**

5.5%

REDUCTION IN ABSOLUTE CONSTRUCTION WASTE

98.5%

DIVERSION FROM LANDFILL (CONSTRUCTION WASTE)

Our progress in 2021/22

We measure waste performance across our business and are now using this data to help highlight areas for improvement .

This reporting year we have delivered an absolute construction waste reduction of 5.5%. Our total tonnage of construction waste decreased from 37,731 tonnes in FY20/21 to 35,642 tonnes.

Detailed trend analysis of our data shows that our waste performance fluctuates with the nature of the projects we are delivering, their scope and what stage of construction they are at during the reporting period. This is why we have further metrics to shed light on our performance and help us improve: namely, our construction waste intensity, a measure of the amount of construction waste generated per unit of economic output, in our case, tonnes per million pounds of turnover (t/£m).

We continue to maintain our historic performance of high diversion from landfill rates, ensuring that disposal via landfill is the last of our management options. Our procurement policies and waste management selection processes are well embedded and reflected in 98.47% of construction waste diverted from landfill.

Our construction waste intensity increased from 26.99t/£m in FY20/21 to 32.79t/£m. This increase is attributed to the type of projects we undertook in the reporting year as well as the fact that a significant number of projects in our portfolio entered a period of more intense resource use. This fluctuation is expected and validates the importance of our focus on waste reduction measures.

SOCIAL VALUE

Social value is the positive impact that we have on society. It goes beyond financial returns and considers broader societal benefits such as reducing inequality, creating jobs, fundraising, promoting environmental sustainability, and educational engagements.

To help quantify this value we use a third-party tool, LOOP, to help us calculate our Social Return on Investment (SROI).

Social value is of growing importance to our clients and is integral to operating a strong and sustainable business that creates value for all stakeholders.

OUR **TARGET**

1. **Set an SROI target for our business, which aggregates the value created by all our activities into a single number using LOOP.**
2. **Deliver an annual increase in SROI.**
3. **Monitor the individual metrics which make up the overall SROI.**

£39.8M
SROI

Our progress in 2021/22

This reporting year saw us further embed LOOP into our business, from tender to practical completion, to into our offices and corporate partnerships.

We also invested in expertise and developed programmes to ensure we drive the delivery of social value across our business. Encouragingly, FY21/22 saw us almost doubling our SROI metric in just twelve months to £39.8million.

Individual metrics and performance which make up our SROI figure are:

- **98** Apprenticeships
- **283** Business Engagements
- **£495k** Charitable Donations
- **167** Mental Health Champions
- **310** Jobs Created
- **16,213** Education Support Participants
- **2,086** Employment & skills
- **580** Community Engagements
- **824** Volunteering Hours
- **188** Work Experience Placements

Our long-term relationship with Maggie's, our partnership with the ParalympicsGB, and the work of our Charitable Giving Committee are all shining examples of social value in action.

Strong foundations for social value

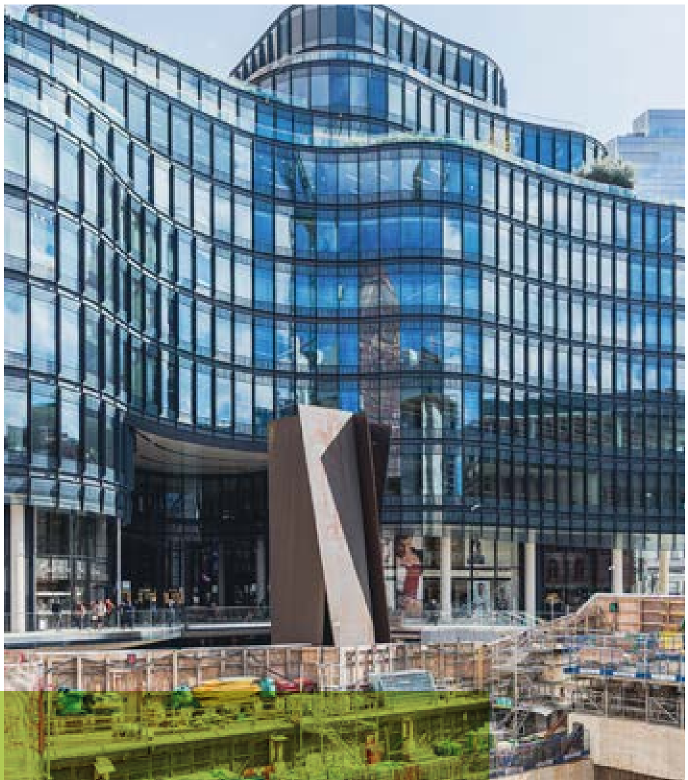
Through our relationship with ActionFunder, a social enterprise which connects business and communities, we provide Strong Foundations Grants to grassroot charities and groups close to our projects. This reporting year we provided a total of £127,268 in funds, spread across 53 organisations. For more information see page 34.

EXAMPLES OF SUSTAINABILITY IN ACTION

Design Group deliver low carbon solutions
Our in-house design experts, McAlpine Design Group (MDG), embody our desire and capability to deliver low carbon solutions for our clients.

A prime example is our work on three healthcare schemes at Kingsway Hospital, Chesterfield Hospital and the National Rehabilitation Centre.

At Kingsway and Chesterfield Hospitals, MDG's alternative foundation designs reduced embodied carbon by up to 77%, saving over 1,000 tCO2e on each project. At the National Rehabilitation centre, embodied carbon was reduced by 54%, saving 538 tCO2e.



Teams collaborate with our supply chain to improve
At 1 Broadgate, we increased the amount of Ground Granulated Blast Furnace Slag (GGBS) content in the hard and soft piles to 70% and 95% respectively, with the soft pile mix a specially developed low carbon solution containing less than 12.5 kg cement per m^3 of concrete.

Working with our supply chain, we developed this further in a later phase of piling to specify EcoPact Max concrete, an innovative cement alternative technology from Aggregate Industries that utilises alkali activated cementitious materials (AACMs) and high levels of GGBS (95%) to remove the need for any cement at all. This resulted in a 20% reduction in embodied carbon (A1-A3) compared to a typical mix, saving 356 tCO2e.

As a member of the Align JV at HS2, we worked with Tarmac on an innovative low carbon concrete solution that provides a 62% reduction in CO2e per cubic metre of concrete, compared to a standard CEM I concrete, a saving of 220 tCO2e for every 1,000m^3 produced.

Transition to low carbon fuels

With alternative fuels such as Hydrogenated Vegetable Oil (HVO), reducing CO_2 emissions by up to 90%, we're using them as a key transition fuel on our decarbonisation journey.

We've used more than 360,000 litres of HVO fuel on our projects, saving nearly 900 tCO_2e. And we've transitioned more than 50% of our vehicle fleet to run on HVO, with plans in place to increase this to around 80% by the end of 2023.

We saved approximately 175 tCO_2e at the A19 Highway Maintenance project by identifying plant and vehicles which could switch to HVO from diesel.

Social value in Edinburgh

By applying a targeted social value strategy at our Haymarket project, we were able to forecast and plan our deliverables. The resulting SROI was £1.05 million.

4 Apprenticeships

3 Business Engagements

£13,240 Charitable Donations

11 Mental Health Champions

53 Jobs Created

248 Education Support Participants

3,016 Toolbox Talks

82 Community Engagements

52 Volunteering Hours

1 Work Experience Placement

When combined with the £58.6 million of direct economic impact through supply chain spend, this project highlights the incredible socio-economic benefits we can provide to our local communities.

ICE Carbon Champion status at Oxford

The successful carbon-saving initiatives at Gradel College, Oxford earned the project ICE Carbon Champion status.

A feasibility study to explore alternative construction methodologies and coverings for the main roof reduced embodied carbon for the roof by 202.6 tCO_2e to 16.7 tCO_2e.

Carbon-reduction measures also included:

- Replacing cement in the piled foundations and substructure with ground granulated blast furnace slag. Saving: 433 tCO_2e;
- Using local Ancaster limestone for cladding. Saving: 100 tCO_2e;
- Using zero carbon electricity. Saving: 25.5 tCO_2e;
- Encouraging staff to use park and ride. Saving: 17 tCO_2e.

As-built life cycle assessment at Edinburgh Park
At Edinburgh Park we used our in-house capability to undertake an as-built Life Cycle Assessment (LCA)* of the carbon emissions for our client at completion.

The report detailed our methodology and inputs, along with the carbon savings realised and carbon emissions associated with the project at practical completion (upfront carbon – A1-A5) and end of life (life cycle embodied carbon - A1-A5, B1-B5 & C1-C4). We also captured lessons learnt from the process, to improve the efficiency and accuracy of assessments on future projects.

Supported by our reporting procedures, tools, and supply chain relationships, we ensured the assessment included:

- Quantity and type of material/product delivered and installed.
- Transport distances for materials and products.
- Product specific carbon emission factors through the provision of environmental product declarations (EPDs) where applicable.
- Fuel, electricity and water consumption and waste generated during construction.

The assessment also enabled us to quantify the carbon savings achieved, with over 1,000 tonnes of carbon saved through initiatives such as:

- The reuse of steel casings for piles.
- Increased % of cement replacement.
- Low carbon aluminium window frames.
- The use of a 100% renewable energy tariff to supply electricity during construction.

(*A procedure for quantifying carbon emissions and other environmental impacts of a building. For an LCA to be an accurate representation of environmental impact, it is critical it reflects the actual materials and products installed on site, and the construction methodologies employed, by incorporating as-built data.)

Volunteering with Manchester's 'City of Trees' project
Colleagues used a volunteering day to help out at the Princes Spinney Community Garden, Manchester.

The team removed non-native species and replanted English Primrose which will attract butterflies and other insects. They also tackled invasive species and removed fly-tipped waste from the area. Their work helped improve local biodiversity of the garden which is used as an outdoor learning space for local children.

FUTURE **FOCUS**

Across all elements of sustainability, we are:

- Improving data accuracy and efficiency through governance, expertise and tools.
- Engaging with our supply chain to ensure that they are aware of our requirements and to offer best solutions to our clients.
- Continuing to embed sustainability into our business, driven by our sustainability team.

Revising our NZC pathway, verification of our SBTi emissions reduction targets, and continuing to invest and explore opportunities to decarbonise.

Supply chain mapping and an improved material procurement and control process to support sustainability and wider deliverables like Safety Critical Materials defined by the Building Safety Act.

Working to better highlight resource efficiency measures early in design and construction. Continued collaboration with digital construction and our Modern Methods of Construction strategy to drive opportunities and efficiencies.

Work with our partner LOOP to better define social value deliverables for the construction industry and improve transparency. Continue to develop programmes and toolkits for our sites to deliver social value requirements efficiently.

CHIEF FINANCIAL OFFICER’S REVIEW

YEAR ENDED 31 OCTOBER 2022

Turnover

£1,086.9m 2022

£937.2m 2021

Operating profit

£9.6m 2022

£9.6m 2021

Net cash flow from operating activities

£0.7m 2022

£15.9m 2021

Cash and cash equivalents

£99.5m 2022

£106.2m 2021

Net assets

£70.3m 2022

£64.1m 2021

Order book - secured

£1.3bn 2022

£1.3bn 2021

FINANCIAL SUMMARY

Year ended 31 October	**2022 £m**	2021 £m	2020 £m
Turnover	**1,086.9**	937.2	819.5
Operating profit/(loss)	**9.6**	9.6	(26.2)
Net cash flow from operating activities	**0.7**	15.9	8.9
Cash and cash equivalents	**99.5**	106.2	96.7
Net assets	**70.3**	64.1	55.8
Order book / secured	**1,328.8**	1,274.5	1,416.3
Preferred bidder / nearly-secured	**909.2**	969.9	961.1

Set against a challenging trading environment, we are pleased to be able to report a solid performance for the year with Turnover increasing 16% to £1,086.9m and Operating profit holding steady at £9.6m year on year. Our overall cash position remained robust, closing at £99.5m in October 2022.

This recovery in activity levels post the global Pandemic was tempered by subsequent supply chain, labour availability and inflationary pressures. The challenges in the trading environment were further exacerbated by events that unfolded in Ukraine in February 2022.

Notwithstanding this financial performance, the Board instigated a strategic review to strengthen the Company's position in terms of risk management, profitability and culture. The implementation of our Evolving SRM strategy, which commenced in April 2023, will provide a strong underpin to the business, with a clear focus on our five key sectors where we have both a competitive advantage and a proven track record of delivery. The strategy also sees an adaption and streamlining of our operating model over the next 12 to 18 months, which is expected to realise annualised savings of £20m per annum, when fully implemented.

Key financial highlights

- Recovery in Turnover in 2022 with Operating profit holding steady in a difficult trading environment.
- Continued levels of new business enquiries throughout the 2022 financial year with £691.4m of work secured, including 1 Broadgate in the City of London, Station Hill – an office development in central Reading, and work from the P22 framework for Poole & Bournemouth Hospital under our Integrated Health Partnership with Vinci, resulting in an order book of £1,328.8m as our financial year ended.
- Following the year end we have secured an additional £410.6m of orders including an agriculture teaching facility for the University of Bristol and a further P22 scheme in joint venture for the Derby Mental Health NHS Trust. In the current ongoing challenging business environment, and following the completion of our Strategic Review in April 2023, the business has reaffirmed its focus on key client relationships, risk management, profitability and culture, with a clear focus on those sectors of the market where it has both a competitive advantage and a proven record of profitable delivery.
- Our liquidity and overall financial strength remains a key differentiator in the market, with no long or short term debt other than modest finance leases, and minimal FX exposure. This is supported by good financial and treasury systems with careful working capital management, enabling us to meet our own obligations to our supply chain who are key to the delivery of all our projects. This is also evidenced in our continuing strong Prompt Payment Code performance.
- A £4.5m net reduction in provisions in the year, due to £13.5m provisions utilised together with a net £2.0m release of amounts required for future remedial work on legacy contracts, offset by an £11.0m provision recognised for onerous contracts in respect of forecast losses to completion.
- Continued intangible asset investment, in both operational and systems improvement programmes during the financial year which are critical to the ongoing strategy to modernise our technology platforms in readiness for the implementation of a business-wide ERP solution in 2024-2026.

Turnover

Statutory revenues recovered further in 2022 as business activity returned to normal following the pandemic with revenues increasing 16% from £937.2m to £1,086.9m. Statutory revenue for the year excludes £542.9m (2021: £537.5m) in respect of Managed Turnover, for which the Company receives fees from clients for managing projects on their behalf under the Construction Management form of contract.

Operating profit

The overall business delivered an Operating profit of £9.6m in 2022, broadly in line with that generated in 2021 albeit on a higher turnover base. Whilst activity levels increased sharply during the course of the year, our underlying margins were impacted by the post pandemic and geo-political trading environment as highlighted earlier in my report.

As the year has closed, I am pleased to report that both supply chain and inflationary pressures are now starting to settle across the industry, albeit these headwinds are likely to remain throughout the 2023 financial year.

Taxation

The effective tax rate in 2022 of 45.3% (2021: 10.0%) is significantly higher than the current standard UK corporation tax rate of 19.0%, including an increase of 57.5% due to the net derecognition of deferred tax assets, partly offset by a reduction of 36.3% (2021: 30.7%) due to Transfer Pricing adjustments in respect of transactions with the parent company, Sir Robert McAlpine (Holdings) Limited. A detailed reconciliation of both the 2022 and the 2021 tax charge is included in Note 11 to the financial statements.

Net cash flow from operating activities

Net cash inflow in the year is £0.7m compared to £15.9m in 2021. The £8.9m decrease in cash inflow compared to a statutory operating profit of £9.6m for the year largely comprises a £4.5m reduction in provisions and a £9.1m increase in non-cash working capital, offset by £4.3m of tax recovered.

Whilst ensuring that all cash opportunities were maximised, the business's cashflow to its supply chain continued uninterrupted, thereby protecting the liquidity of the business's subcontractors who are critical to the delivery of our projects. The Company is signed up to the Prompt Payment Code - in 2021-22 the average time to pay invoices increased by 2 days, from 27 to 29 days, and invoices paid within 60 days reduced from 96% to 94%, however invoices due and paid within agreed credit terms increased by 7%, from 86% to 93%.

We do not make use of any supplier finance arrangements.

Cash and cash equivalents

The Company had cash balances of £99.5m (2021: £106.2m) at the year end, and no debt other than a nominal level of finance leases. We remain well-placed to exploit opportunities within our chosen sectors, serving key clients whilst supporting both our workforce and our supply chain. Following the implementation of our sector-focused strategic review in April 2023, we will continue to focus on risk management and profitability over revenue growth in order to preserve and strengthen our overall cash position in the current challenging market place.

Net assets

The profit after tax of £5.1m, together with the £1.1m after-tax gain on remeasurement of the medical scheme liability, increased net assets at 31 October 2022 to £70.3m (2021: £64.1m). The key components of the increase were the £4.5m reduction in provisions, the £9.1m increase in non-cash working capital and a £3.8m increase in current tax recoverable, offset by a £6.7m decrease in cash and a £4.0m decrease in deferred tax assets recognised.

Outlook

At 31 October 2022, in addition to our order book of £1,328.8m there was a further £909.2m of work where the business was preferred bidder, defined as either working under a pre-construction services contract or in exclusive negotiations. This is equivalent to having at least 24 months of work to deliver. The year-end position has continued to strengthen, and by the end of May 2023 we had over £908.8m of work already delivered and/or secured for 2022-23, together with £1,002.8m of work either already secured or nearly secured for 2023-24.

This gives us confidence in the business in the medium term, enabling us to continue to be selective in our work-winning activities, as set out in our Strategic Review, over this uncertain geo-political and macro-economic period, and to prioritise profitability over revenue growth. It is likely that revenues will stay broadly flat over the 2023-2025 period as we transition to our sector-based delivery model rather than a regionally-based structure, but with a step change in mix between our Buildings and Infrastructure business over the three-year period.

Going concern

Whilst the Pandemic has now subsided, the effects of high inflation and supply chain shortages continue to impact both the business and the wider UK economy, albeit we are seeing some promising indicators that both are now easing as we navigate the current financial year.

Our Strategic Review is also expected to deliver significant savings over the course of the 2023 and 2024 financial years, after an initial, one-off net outflow from costs of change and project management implementation costs. A lower cost base will allow us to navigate the ongoing challenging economic environment, as well as to maximise operating margins as the global economy recovers from the inflation and energy price shock that has impacted the last 12 months.

Stringent controls continue to be used to manage cash Company-wide, including granular levels of cash forecasting across the business, aligned to profit and loss forecasts with appropriate stress-testing for the impact of risks and opportunities at both Contract and Business Unit level.

As part of the forecast for the current financial year's going concern assessment, a more detailed review of working capital requirements was undertaken, specifically focussing on more recent challenging trading conditions on certain key contracts. Any changes from these reviews have been built into the underlying forecasting model and reflected in future cash flow forecasts out to October 2024. Other than this, no material changes have been adopted as a result of the review of the going concern assessment prepared for the 2022 statutory accounts.

With a continuing strong order book, robust cashflow forecasting procedures, and the Company's resilient funding position, the Board are confident in their ability to prepare these financial statements on a going concern basis.

Leighton More FCA
Chief Financial Officer
21 July 2023

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 to provide a means to identify, prioritise and manage risks and opportunities in accordance with the Company's risk appetite.

On behalf of the Board, the Risk and Assurance committee reviews the Company's Risk Register quarterly, updating it for the ongoing relevance of existing items and ensuring both the capturing of emerging risks on a timely basis and that appropriate mitigation plans are put in place. The principal such risks are set out below:

New or increased risk during 2021-22 | Risk level unchanged from prior year | Risk reduced in 2021-22

Inflation of costs on labour and materials across the construction sector

Principal risk
Brexit, and the tail-off of Covid-19, have continued to impact both the availability and distribution of materials, and the supply of appropriately-qualified labour resource. The resultant shortages, combined with growing pressure on costs, particularly energy prices, continue to impact both the Company, the supply chain, and the wider construction sector.

Potential business impact
Availability issues and rising costs can significantly impact both the profitability on live projects and the Company's ability to deliver within agreed timescales. The Company's ability to win new business, priced to generate a satisfactory return, is also put at risk.

Mitigation
The Board continues to monitor closely the supply chain issues faced within the sector and the inflationary impact on profitability. Measures instigated include seeking contractual protection, early involvement of clients and the supply chain, and the close tracking of key raw material and component pricing.

Build quality issues

Principal risk
Quality issues arising out of defective work.

Potential business impact
These have both a financial and reputational impact on the business, which is excessive and difficult to fund and manage.

Mitigation
Continued increased focus on management of technical competencies of employees in key roles, with targeted training being given. A roll-out of new Quality Control Metrics, with the focus on ensuring that appropriate checks are being carried out and evidenced by appropriate people. These new Metrics run alongside a new Supply Chain Relationship system set up to monitor the performance of our supply chain partners.

The Building Safety Act 2022 ("BSA")

Principal risk
Failure to ensure that the appropriate records are available to demonstrate compliance with the BSA, and to prove the competence of Sir Robert McAlpine employees.

Potential business impact
Inability to achieve starts on contract sites and handovers on completion, due to non-compliance with the Act.

Mitigation
Sir Robert McAlpine plays a leading role in the development of the industry's response to the BSA, and we continue to interface with the Health and Safety Executive and the Building Safety Regulator as part of the Early Adopters Group. We continue to strengthen our technical competence and traceability of products and systems that we procure.

Growing sustainability priorities in the Built Environment

Principal risk
Sustainability requirements and legislation are growing, much of which are starting to form contractual obligations, or are embedded into planning requirements.

Potential business impact
Failing to identify and deliver on these requirements will result in financial penalties, and reputational damage affecting profit margins and pipeline.

Mitigation
Sir Robert McAlpine continues to lead in the area of sustainability in the built environment and therefore has an understanding of the delivery risk with these requirements. In addition, our Project Governance Policy has been revised to ensure appropriate due diligence is performed before agreeing any contractual obligations in this area.

Systems and data protection

Principal risk
Major IT systems failure.

Potential business impact
Users unable to undertake work because of one or a series of systems outages. The implications of this can be both contractual and compliance-related.

Mitigation
The risks are well understood, and progress continues on a long-term Technology Improvement Programme, to significantly reduce the risks to the vulnerability of the business.

Systems and data protection

Principal risk
Cyber attack.

Potential business impact
Loss of key systems or data could have a material impact on the operations of the Company: significant cost, downtime and a severe impact on our ability to deliver on our contracts. Increased threat from malicious actors globally, due to the current geopolitical environment.

Mitigation
Investment continues into this area of the business. An Information 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. In March 2023 the Company gained ISO 27001 certification in respect of its Information Security management.

Health, Safety and Wellbeing (“HS&W”)

Principal risk
Major work-related incident.

Potential business impact
Failure to prevent a major accident, resulting in prosecution, fines, loss of reputation and consequential impact on future work-winning.

Mitigation
HS&W Strategy is now embedded around the business and our supply chain. A set of Minimum HS&W Standards have been rolled out to establish a new benchmark for what “good” looks like. Improved reporting on HS&W is now giving us a better understanding of where risks and opportunities lie. Focus audits are now in place to monitor key HS&W issues.

Health, Safety and Wellbeing

Principal risk
Mental health issues.

Potential business impact
Risk to the workforce and ultimately to the successful outcome of projects.

Mitigation
Mental Health Procedures and Risk Assessments have been established in order to put control measures in place, a regional mental health lead has been appointed for each Business Unit, and every project has access to a mental health champion. Every workplace has a mental health First Aider. A wellbeing hub is available for all staff for self-help, and there is a 24-hour confidential helpline providing access to a mental health professional. A Wellbeing Strategy is being developed, to look at providing proactive measures for all of our employees and those of our supply chain.

Management of the Sir Robert McAlpine brand and reputation

Principal risk
Any adverse events negatively impacting the reputation and brand value of the Company would put the business at risk.

Potential business impact
The impaired reputation of the Company negatively impacts its ability to win work and attract and retain key talent.

Mitigation
A Crisis Management Plan has been developed and reviewed, including simulation training. A brand strategy is in place, and legacy issues are being actively monitored. Ongoing work by the Brand, Marketing and Communications team to promote and protect the Sir Robert McAlpine brand.

Attraction, retention and development of high-quality employees with the necessary talent, capability and experience

Principal risk
Loss of key talent.

Potential business impact
Lack of available skilled resources in the employment market and supply chain for the Company to meet client demand.

Mitigation
Our people strategy continues to evolve, to ensure that we can attract and retain the required resource. We continue to monitor employee satisfaction levels, to identify and prevent potential leavers by addressing their concerns early, and remuneration across the business is continually benchmarked externally to ensure our competitiveness. A Talent management and Succession planning exercise has been completed.

Competitive environment

Principal risk
Lack of awareness of customer needs and competitor offerings.

Potential business impact
Loss of competitive position, resulting in reduced work-winning.

Mitigation
Account management and customer feedback processes are in place. Competitor analysis and market trends are reviewed in order to inform work winning and strategic decision making.

Defined Benefit pension scheme

Principal risk
The Company participates in a Defined Benefit pension scheme, maintained by the ultimate parent company, and the scheme is in deficit.

Potential business impact
Failure to manage the scheme, such that the Pension Regulator imposes a cash-prohibitive recovery regime on the Company.

Mitigation
A long-term funding strategy was agreed with scheme Trustees to mitigate the deficit over the next 11 years. Independent expert advice is obtained as part of the Company's ongoing deficit-management strategy, and in the monitoring of investment performance.

SECTION 172 OF THE COMPANIES ACT 2006

This report details how the Directors of the Company comply with the requirements of Section 172 of the Companies Act 2006 and have taken them into consideration as part of their decision-making process during the year to 31 October 2022.

The role of the Board

The Board's overall responsibility is to sustain the long-term success of the Company and preserve the interests of its stakeholders. The Board recognises the need to maintain good relationships with all those who are instrumental in the Company's success.

The Board sets the Company's strategy, monitors performance against strategic objectives, and, prior to 9 May 2023, reviewed the implementation of its strategy by the Executive Leadership Team ("ELT"). On 9 May 2023 the ELT was dissolved, and its role was assumed by the Board, whose membership was increased to include an additional four Executive Directors.

Key matters considered by the Board on an ongoing basis include:

- The Company's long-term strategy and direction;
- Liaising with the Company's owners and delivering on their behalf;
- Our health, safety & wellbeing performance against targets;
- Our people & infrastructure strategy;
- Our commercial and governance strategy;
- Reviewing performance against the Sir Robert McAlpine way of working, known as Build Sure. Build Sure encapsulates our commitment to deliver exemplary projects safely, on time, on budget, to the highest quality and sustainably;
- Approval of the Company's budget and capital expenditures;
- Organisational changes including strategic review;
- Brand and reputation management;
- Changes in key policies;
- Monitoring the effectiveness of the Company's systems of internal control, governance and risk management; and
- Investment in the relevant technology and equipment.

Prior to its dissolution on 9 May 2023, the Board-appointed ELT managed the implementation of the Board's strategy. Some of the Board's governance responsibilities are delegated to a number of committees. A more detailed account of these committees is included in the Corporate Governance report on page 88.

Board governance

The Directors have again opted to apply "The Wates Corporate Governance Principles for Large Private Companies" for the year ended 31 October 2022. These principles, endorsed by the Financial Reporting Council (FRC), provide a code of corporate governance for large private companies, to raise awareness of good practice and, over time, to improve standards of corporate governance. In addition, these principles provide a framework for the Directors to meet the requirements of Section 172 of the Companies Act 2006 by providing guidance on the following areas:

a) Purpose and leadership;

b) Board composition;

c) Directors' responsibilities;

d) Opportunity and risk;

e) Remuneration; and

f) Stakeholders.

The Corporate Governance report on pages 85-86 explains how these principles have been applied.

Activities of the Board in the year ended 31 October 2022

The Board's core agenda for consideration at each meeting is aligned to the Company's operational and reporting cycles. It also includes the monitoring of progress against strategic priorities, risk management issues, Build Sure updates, health, safety & wellbeing reports, people & infrastructure updates, and the ongoing review of the Company's systems of control.

The impact on stakeholders is a key consideration in the Directors' decision-making process. As a consequence, the Board is careful to ensure that all decisions are made in good faith for the benefit of all stakeholders, taking into account the matters set out above in paragraphs 'a' to 'f' of Section 172 of the Companies Act 2006. The Board considers the Company's key stakeholders to include its workforce, retired and future employees, its clients, its supply chain partners, industry bodies, local authorities, MPs and community groups.

Amongst the key decisions taken by the Board during the year was the introduction of health, safety & wellbeing Minimum Standards, offering a more consistent way to manage HS&W risk and helping us to deliver on our commitment to Build Sure. These Minimum Standards have been introduced to all our supply chain partners.

We have a stringent 'gate' process in place, consisting of four separate progressive phases during which commercial opportunities and the decisions to bid are assessed, including reviewing and addressing any conflicting interests.

Engagement with our people

At the core of our Evolving SRM strategy is our ambition to become the Best Place to Work. In order to achieve this, the Board promotes a truly inclusive culture and proactively engages with our people through transparent communications. This helps to ensure that everyone understands the key role they play in delivering the strategy, has full clarity on business performance, feels valued, and operates at their full potential.

Actions taken and channels used:

- "Build Sure" Annual Conference;
- Quarterly Team Briefings;
- All-Company survey every three months;
- Weekly "In case you missed it" newsletter;
- Regular CEO video message;
- Call & Connect virtual sessions;
- All-Company emails;
- Intranet;
- Yammer;
- SRM Life Company newsletter every quarter;
- Posters and digital screens;
- Affinity Networks;
- Employee Network;
- Toolbox talks on site;
- Flexible working pilots with consultancy Timewise;
- Build Sure groups, covering 15 specific subject areas in total, including sustainability, safety, quality, digital construction, and more;
- Launched a 15-month leadership development programme in partnership with Cranfield School of Management;
- Lunch-and-learn sessions; and
- Webinars.

Output and impact

- More than 1,200 employees, on average, have joined the Annual Conference and subsequent Quarterly Team Briefings;
- The regular CEO messages provide up to date, relevant insights into the business;
- The quarterly all-Company survey captures the sentiment of team members on a range of strategic topics, providing the Board with key information to support decision making and actions;
- With high participation and engagement levels, online webinars, newsletters, lunch-and-learn sessions, as well as a diversity of specialist networks, allow employees to share best practice, innovative ideas, project updates and improvement suggestions;
- Successful flexible working pilots on two separate sites have provided valuable information to roll out across the business for both frontline and office workers; and
- 34 employees were selected to undertake the Future Leaders development programme with Cranfield School of Management.

Engagement with clients and supply chain partners

As a values-led family business first established in 1869, we regard our clients and supply chain partners as an extended part of our family. Building robust and lasting relationships with these stakeholders is an integral part of our business strategy.

Actions taken and channels used to engage with clients and supply chain partners:

- Sustainability report;
- Supply chain newsletter;
- Inclusion report;
- Client satisfaction survey;
- Events such as topping out and ground-breaking ceremonies;
- Bi-annual reporting re performance under the Government's Prompt Payment code;
- Technical webinars;
- Face-to-face meetings;
- Site visits;
- Audits of subcontractors in the fight against Modern Slavery;
- Toolbox talks on site; and
- "Best of British" fundraising lunch in aid of the British Paralympic Association.

Output and impact:

- Performance against our sustainability strategy can be found on pages 62 to 65;
- Developing the skills and competences of our supply chain partners;
- Clients, consultants and supply chain partners are aligned with our inclusive family values and our commitment to sustainability and carbon emissions reduction targets;
- 29 labour practice audits and 12 ethical site audits;
- Raising awareness amongst our subcontractors of measures to tackle Modern Slavery;
- Average time to pay suppliers increased slightly, from 27 to 29 days, but invoices due and paid within agreed credit terms increased from 86% to 93%; and
- Our "Best of British" lunch in aid of ParalympicsGB raised over £60,000. It was attended by more than 250 guests, made up of clients and supply chain partners, who praised the event for raising industry-wide awareness around inclusivity and the unique networking opportunity it offered.

Engagement with communities:

Our legacy goes beyond the projects that we deliver and includes making a positive, long-lasting impact on the communities close to our sites. The Board has backed a number of charitable organisations to support grassroots initiatives in local communities around the country.

The Board also recognises that the climate emergency is a global threat that requires industry-wide collaboration, and that we have a responsibility to decarbonise our operations in a way that is scientifically and independently validated.

Actions taken to support communities:

- The development and continued support of our sustainability strategy which sets our direction of travel, ensuring we consider our impact and improve our performance on environmental management, carbon, resource efficiency, ethical procurement and social value;
- Allocating funds to support cancer care charity Maggie's, the Construction Youth Trust and the British Paralympic Association, and distributing our Strong Foundations Grants to local groups through social enterprise ActionFunder;
- Teaming up with organisation Loop to provide us with the ability to calculate our Social Return on Investment (SROI);
- Committing to the Science Based Targets initiative, in line with a 1.5°C warming scenario;
- Supporting the Career Colleges Trust;

- Joining Building Equality to support the LGBT+ community in construction;
- Visiting schools and universities around the country to promote STEM and construction careers;
- Project-led community engagement, including local fundraising, working with local charities, collections and donations; and
- Building community engagement and consultation pages on our website.

Output and impact:
- Delivered £39.8m SROI. This was calculated using our social value calculator tool provided by Loop;
- Reached £1 million raised for Maggie's in just 6 years, having initially committed to hit this milestone in ten years;
- Provided young persons from underprivileged backgrounds with training and career opportunities via our support to the Construction Youth Trust;
- Raised more than £60,000 for the British Paralympic Association to support Paralympic athletes on their way to Paris 2024;
- 95 grassroots projects funded by our Strong Foundations Grants with ActionFunder, with an estimated 70,000 beneficiaries around the country;
- Submitted targets for carbon reductions to the Science Based Targets initiative with verification due in Q2 of 2023; and
- Contributed to the digital construction curriculum of the Career Colleges Trust, empowering students with relevant employer-led education for their future careers.

Engagement with Government and industry
The Board continues to play an active role in championing cross-industry collaboration, and working with Government to benefit our people, our clients and supply chain partners, as well as the wider economy and society.

Actions taken:

- Playing an active role in leading industry organisations such as Build UK, the CIOB and CLC;
- Contributing to the Government's consultation on flexible working;
- Engaging with the Department for Business, Energy & Industrial Strategy (BEIS) to share input on flexible working, equality and skills;
- Member of the UK Business Council for Sustainable Development (UKBCSD);
- Founding member and continued funder of the Supply Chain Sustainability School;
- Member of Part Z – an industry-proposed amendment to UK Building Regulations 2010 for the regulation of embodied carbon;
- Founding member of the Construction Data Trust and Project Data Analytics Taskforce; and
- Member of the Construction Productivity Taskforce.

Output and impact:
- Proactive collaboration with the industry, and support to supply chain partners in the face of challenging and unpredictable market conditions;
- Presenting to industry on mitigating the impact of inflation and materials shortages;
- Cited in the Government's response to its "flexible working" consultation;
- Contributing to the House of Commons Environmental Audit Committee – "Building to net zero: costing carbon in construction" report;
- Proactive collaboration to advance Project Data Analytics in construction; and
- Contributing to the Private Sector Construction Playbook published by the Construction Productivity Taskforce, notably with the output from two pilot sites selected to collect productivity data.

Leighton More FCA
Chief Financial Officer
21 July 2023

CORPORATE GOVERNANCE

The Board has once again applied the Wates Corporate Governance Principles for Large Private Companies, covering the financial year ended 31 October 2022. The following paragraphs summarise how the Company has applied those principles over the year:

Principle a. Purpose and leadership

In May 2023, we moved from a regional operating model to a national sector-focused model, with centres of excellence providing projects with swift access to expertise. This new approach is designed to drive profitable growth, reduce risk to the business and set us up for long-term success.

Our Evolving SRM strategy is as follows:

- Focus on where we excel, prioritising the right sectors, projects, contracts and clients.
- Adapt to a more efficient, effective and collaborative way of working.
- Evolve for longevity and success by developing services to meet our clients' changing needs and de-risk the business.

For further detail please refer to page 14.

As a family business, we hold strong values that inform our behaviours and promote a culture of excellence and inclusion: we are honourable, we treat each other like family, we are enterprising, we deliver engineering excellence, and we are responsible.

Our Build Sure framework describes the McAlpine way of working, with its focus on delivering excellence in everything we do. For each project, it sets out clear, measurable targets in five areas: quality, safety, sustainability, delivery on time and profitability.

To address the threat of climate change and build positive futures, our sustainability strategy encompasses four key areas: net zero carbon, resource efficiency, ethical procurement, and creation of social value. As part of our commitment to decarbonise our operations, we have submitted our targets to the Science Based Targets initiative, in line with a 1.5°C warming scenario.

Guided by our core values of being honourable and responsible, we operate in an unquestionably ethical manner. The Board is committed to upholding the highest standards of ethics at all times, aiming beyond the requirements of what we should do as a business to further our industry, support our people and nurture long-lasting relationships with our supply chain partners and clients. Our Ethics Commitments statement articulates what we are doing to uphold our values and to challenge those who fail to meet our high standards. We have also implemented a supply chain assessment programme, to help in the fight against modern slavery and human trafficking.

In pursuit of our ambition to be the Best Place to Work, the Board has championed an inclusive culture that welcomes everyone. Guided by the desire to promote better mental health and greater diversity across the industry, we have campaigned to make flexible working available from day one to everyone, notably contributing to consultations from the Government and backing Flex Appeal, which was initiated by flexible working campaigner Anna Whitehouse. In November 2021, in collaboration with Anna and Pragmatix Advisory, we published "Flexonomics: the economic and fiscal logic of flexible working", the first in-depth report to showcase the benefits of flexible working to the UK economy.

Our vision to create a better world for future generations goes beyond delivering our projects and extends to the positive, long-lasting legacy we leave in society. Our commitment to creating social value has only been strengthened as a result of the impact the current geo-political crises have had on the most vulnerable members of society. We have continued our support to charities that align with our inclusive values, such as cancer care charity Maggie's, the Construction Youth Trust, and the British Paralympic Association. We have also expanded our Strong Foundations Grants, increasing the number of grassroots initiatives we support across the country, and therefore the number of beneficiaries.

The business strategy follows a comprehensive business and market review. In order to adapt the business model to the socio-economic environment, each function carries out an annual business planning exercise detailing how they are going to deliver their performance in line with the business strategy, meet Build Sure targets, as well as what risks they are facing and how they will mitigate them.

In order to increase their visibility and lead by example, the Directors have undertaken a Build Sure tour, visiting project sites and offices around the country. They then share a full report on our internal communications platform. They use this opportunity to discuss organisational matters with people at every level of the business, to find out what they need to operate effectively and efficiently. The Directors also use the quarterly pulse survey to address questions pertaining to management decisions and employee engagement.

Principle b. Board composition

Prior to 9 May 2023, The Sir Robert McAlpine Ltd Board was composed of:

Edward McAlpine, Chair & Executive Partner
Hector McAlpine, Executive Partner
Paul Hamer, Chief Executive Officer
Leighton More, Chief Financial Officer
Karen Brookes, Executive Director of People & Infrastructure
Alison Cox*, Managing Director London
* Resigned 5 May 2023

As set out in the Directors' report on page 90, on 9 May 2023 an additional four Executive Directors were appointed to the SRM Ltd Board, which then assumed responsibility for decision-making and the overall performance of the business.

Prior to the dissolution of the Executive Leadership Team (ELT) on 9 May 2023, Chief Executive Paul Hamer led the ELT, which was the Company's main decision-making body and was accountable to the Sir Robert McAlpine Ltd Board for the overall performance of the business.

The Executive Leadership Team was composed of:

Paul Hamer, Chief Executive Officer
Leighton More, Chief Financial Officer
Karen Brookes, Executive Director of People & Infrastructure
Alison Cox, Managing Director London
Lynda Thwaite, Group Director Brand, Communications & Impact
Steve Hudson, Group Commercial Director
Ian Cheung, Managing Director Southern
Tony Gates, Managing Director Civil Engineering
Mark Gibson, Managing Director Northern
Andrew Hunter, Director of Engineering

The Board has made a commitment to lead by example on inclusion and to inspire industry-wide change. The new organisation structure has a large senior leadership community which provides more opportunities for greater gender parity in senior leadership roles.

During the year, Sir Robert McAlpine Ltd launched the Future Leaders programme in collaboration with the Cranfield School of Management, to develop leadership succession. 34 employees have embarked on this 20-month journey.

The Board has an executive coach, and every member of the Board receives individual coaching sessions. They also receive 360° feedback on their performance from people at all levels of the company. Each member of the Board has a succession plan for the short, medium, and long term.

Principle c. Director responsibilities

The Sir Robert McAlpine Ltd Board meets monthly and, prior to 9 May 2023, delegated the day-to-day operation of the business to the former ELT, which was dissolved on that date. Responsibilities are shared across a series of committees as described in 'Structure of the reporting lines to the Board' see page 88.

The former ELT also met every month, to review the performance of the business across all regions and function areas. The agenda of these meetings included a review of the strategic and financial key performance indicators, commercial and legal matters, brand and reputation, new business development and work winning, sustainability, as well as the Build Sure metrics for our projects.

To increase operational effectiveness, a new company management system (CMS) was introduced last year. Policies are reviewed and the CMS is audited by an external accreditor.

With employees' wellbeing at the core of our business, matters pertaining to people and culture are also addressed, in particular with the review of all-Company survey results.

The Board has formal terms of reference and operating procedures in place, and every new business opportunity is assessed according to a rigorous process.

Principle d. Opportunity and risk

The Board's approach to the identification and management of risk is integral to the delivery of our strategic objectives. The objective is not to eliminate risk altogether but to identify, prioritise and manage risks and opportunities in accordance with the Company's risk appetite.

The Company's Risk and Assurance system includes a quarterly review of the Risk Register by the Risk and Assurance committee, ensuring that appropriate action is being taken to eliminate or mitigate both newly and previously identified risks.

The assessment of new business opportunities is carried out by the Board's Risk and Investment committee.

Principle e. Remuneration

The Remuneration committee is responsible for setting remuneration and incentivisation strategy and policies across the business, and for determining the appropriate level of remuneration for the Directors and senior management. This committee is tasked with ensuring that salaries are fair and aligned with the industry and has a delegated authority from the Sir Robert McAlpine Ltd Board, owned by the Chief People Officer, Karen Brookes, who is a member of the committee.

Salaries are reviewed annually, based on a formal performance review process for each employee. Our policy is to reward people fairly, in line with their skills, expertise, performance and merits, and taking into account relevant market statistics.

Principle f. Stakeholders

The Board recognises the need to maintain effective communication and nurture strong relationships with the Company's key stakeholders, in order to deliver its strategy and protect both its brand and reputation.

In addition to the shareholders, the Board considers the Company's key stakeholders to include its workforce, retired and future employees, its clients, its supply chain partners, industry bodies, local authorities, MPs and community groups.

Throughout its 154-year existence, the Company has built robust and trusted relationships with its key stakeholders. Engagement with stakeholders is detailed in Section 172 of the Companies Act 2006 on page 82.

DIRECTORS AND ADVISORS

Board of Directors

The names of the Directors who held office throughout the financial year and, except where otherwise stated, up to the date of signing this report, are set out in the Directors' report on page 89.

Directors' attendance at Board meetings held during the year were as set out below:

Director	Meetings held	Meetings attended
Edward McAlpine (Chair)	12	12
Hector McAlpine	12	11
Paul Hamer	12	12
Leighton More	12	12
Karen Brookes	12	12
Alison Cox *	12	11

* Resigned from the Board on 5 May 2023

Company Secretary

Kevin J Pearson BSc., ACA
John A Dempsey BA, ACMA, CGMA

Independent auditor

Mazars LLP
Statutory Auditor
30 Old Bailey
London EC4M 7AU

Principal bankers

Lloyds Bank plc
25 Gresham Street
London EC2V 7HN

Registered office

Eaton Court
Maylands Avenue
Hemel Hempstead
Hertfordshire HP2 7TR

STRUCTURE OF THE REPORTING LINES TO THE BOARD

Risk and Assurance committee

This committee serves as the co-ordinating body for managing risk across the entirety of the Company, as part of an expanded Enterprise Risk Management ("ERM") framework. Its responsibilities include audit assurance (internal audit – see "Audit committee" below – and oversight of external audit), Business Ethics (including whistleblowing), ISO and other accreditations, and covers the wider business support functions. As well as the development and implementation of the Company's ERM framework, this committee is responsible for identifying entity-level risks and opportunities and agreeing entity-level controls.

The committee, comprising the Chief Financial Officer, the Head of Legal, the Chief People Officer, the Director of each of Engineering & Technical Services, Brand, Communications & Proposals, and the Executive Commercial Director, reports quarterly to both the Board and the Shareholder Risk committee – responsible for defining the Company's strategic risk appetite, and approval of major projects and business opportunities – whilst liaising closely with the Board.

The Company's Risk Register (see Principal risks and uncertainties on pages 79 to 81 in the Strategic Report) is updated quarterly by the committee to reflect newly-recognised risks, whilst also reporting on developments in relation to previously-identified risks. Such reviews include the development and monitoring of mitigating strategies and action plans to counter the identified risks. At each meeting, the committee is presented with a detailed analysis of the latest content of the Risk Register, including, for each risk, its perceived likelihood, the potential significance of its impact on the Company, and an Action Priority Index ("API") value based on each risk's likelihood, its potential impact, and the Company's perceived vulnerability to the risk. A "heat chart" is also presented to the committee, comparing the current and the previous quarter's API for those risks with the highest such value, together with an explanation of key risk changes from the previous to the current quarter's report.

Risk and Investment committee

This committee is responsible for consideration and assessment of significant potential new contracts and new business opportunities. The committee's assessments cover multiple perspectives, including technical, reputational, commercial, and overall alignment with business strategy, as well as with the Board's risk appetite.

Audit committee

The Company does not have a separate Audit committee. The ultimate holding company, Newarthill Limited ("Newarthill"), has an Audit committee comprising two members, and this committee's responsibilities cover both Newarthill and each of its subsidiary undertakings, including the Company, the main such subsidiary undertaking. In addition to their review and consideration of each company's Annual Report, and challenging the respective companies' management with regard to key judgements, estimates and assumptions contained therein, the Audit committee is also responsible for monitoring the effectiveness of systems of internal control, the resolution of key accounting issues, and managing the relationship with the Independent auditor, as well as assessing the performance of that Independent auditor. The Independent auditor attends the year-end meeting, and other meetings by invitation, along with the Company's Chief Financial Officer.

Internal auditing arrangements within the Company are set out through the Assurance function, steered by and reporting to the Risk and Assurance committee (see above). The Assurance function is responsible for maintenance of the "Company Management System", defining and documenting centralised policies, procedures and responsibilities, whilst having oversight of internal audit checks carried out at Business Unit level. Checks carried out by internal auditing resource within Business Units cover operational procedures and compliance with relevant standards for Health, Safety & Wellbeing, Quality, Sustainability, Information Security and Ethical Procurement. The central Assurance function maintains oversight of these checks.

Remuneration committee

Responsible for setting the appropriate level of remuneration for the Directors and senior management, so as to ensure the Company's competitiveness in the marketplace in order to retain and motivate key employees. The committee comprises the Chair of the Sir Robert McAlpine board, a representative from Newarthill and the Chief People Officer.

DIRECTORS' REPORT

The Directors present their report for the year ended 31 October 2022. This report should be read in conjunction with the Strategic report on pages 12 to 84.

Directors of the Company

The Directors who held office during the financial year and / or, except as otherwise noted, up to the date of signing this report, were as follows:

R Edward T W McAlpine
Hector G McAlpine
Paul C Hamer
J Leighton More BA, FCA
Karen J Brookes
Alison L Cox C.Eng, FICE *
Grant R Findlay **
Antony R Gates **
Stephen W Hudson **
Andrew Hunter **

* Resigned from the Board on 5 May 2023
** Appointed to the Board on 9 May 2023

Principal activities

The Company's principal activities comprise construction design and delivery, infrastructure and infrastructure works, together with project management on behalf of clients.

Results and dividends

The profit for the year before taxation amounted to £9,334,000 (2021: £9,176,000). No interim dividends were paid during the year (2021: £nil). The Directors do not recommend the payment of a final dividend (2021: £nil).

Corporate governance

As described in the Strategic report on page 82, the Board of Sir Robert McAlpine has once again chosen to apply The Wates Corporate Governance Principles for Large Private Companies, as a framework to satisfy the corporate governance disclosure requirements applicable to company reporting for financial years starting on or after 1 January 2019. See pages 85 to 86 of the Corporate governance report.

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 2021-22 is set out on pages 12 to 84, and contains, where appropriate, an indication of the Directors' view on likely future developments in the Company's business.

Financial risk management

The Company has no borrowings other than fixed-rate finance leases, no debt facilities that are repayable on demand, and no debt covenants or restrictions. In addition, the Company has no material foreign exchange transactions or balances. The Company therefore has no significant interest rate or exchange rate risk.

In the normal course of its business, the Company is exposed primarily to liquidity risk and credit risk, which are managed within policies and operating parameters approved by the Board of Directors. Derivative financial instruments are not used.

Stakeholder engagement

The Company's stakeholders include not just its shareholders but also its employees, its clients, its suppliers, its pension scheme members 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, clients 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 Company 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 Company endeavours to continue their employment provided there are duties which they can perform despite their disabilities.

The Company is an active equal-opportunities employer and promotes an environment free from discrimination and victimisation. Employees are treated equally and fairly, and selection for training, promotion, career progression and other benefits is made solely on merit and ability to perform against role profiles.

The Company is committed to growing a diverse pool of talent to perpetuate its leadership.

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 Company comes into contact free from harm. Further details regarding Health, safety and wellbeing can be found in Principal risks and uncertainties, within the Strategic report, on pages 79 to 81.

Research and development

The Company 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. In addition, the Company invests in both operational and systems improvement programmes for use across the business.

Energy and carbon reporting

The Company's Energy and Carbon Reporting statement (SECR) can be found in the Strategic report on page 66.

Share capital

Details of the Company's share capital are set out in note 23 to the financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the Company is set out in the Balance sheet and the accompanying notes to the financial statements. The Company has no borrowings other than fixed-rate finance leases, no debt covenants or restrictions and therefore, with no material foreign exchange transactions or balances, has no significant interest rate or exchange rate risk.

Climate change, and the steps that the Company is taking to address this issue, are dealt with separately above, within Climate-related risk and our responses on pages 68 to 75, but the matter is not considered likely to have any impact on our clients or supply chain such as to cast doubt on the financial forecasts referred to below.

The ongoing effects of the invasion of Ukraine by Russian military forces increased short-term energy prices throughout the UK and Europe and added further to the inflationary cycle, causing significant uncertainty in financial markets worldwide.

As discussed in the Chief Financial Officer's review on page 78, whilst the Pandemic has largely subsided, the effects of high inflation and supply chain shortages continue to impact both the business and the wider UK economy. Our revised Business Model is expected to deliver significant savings over the course of the 2023 and 2024 financial years, after an initial, one-off net outflow from costs of change and project management implementation costs. A lower cost base will allow us to navigate the ongoing challenging economic environment, as well as to maximise operating margins as the global economy recovers from the inflation and energy price shock that has impacted the last 12 months.

The Directors have prepared cashflow forecasts to 31 October 2024, showing a base case with a downside scenario modelled against this. 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, including the continuing repayment of amounts outstanding from our parent company, as and when called for.

Taking all of the above factors into consideration, the Directors have a reasonable expectation that the Company 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 Accounts.

Donations

During the year the Company made no political donations (2021: £nil).

Directors' indemnities and insurance

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

Disclosure of information to the independent auditor

Each of the Directors in office at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's independent auditor is unaware; and
- Each Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's independent auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Re-appointment of independent auditor

Mazars LLP is deemed reappointed as the Company's independent auditor under section 487(2) of the Companies Act 2006.

Post Balance sheet events

Since the year end, following the ongoing supply chain and inflationary environment, some of the Company's material long term contracts, scheduled for completion in 2023, continue to be affected by a series of delays and events, financial and non-financial, such that the outturn on those contracts is now expected to have deteriorated by a further £23m to £33m more than could have been anticipated at the Balance sheet date. However, management teams have identified a number of actions to improve the outcome of these projects and are focused on implementing them. The transition to our national sector-focused operating model, with supporting centres of excellence, has also been designed to reduce the risks that could affect the delivery of our projects.

As described in more detail in the Strategic report, and in Going concern on page 98 within Accounting policies in Note 1 to these financial statements, in early April 2023 the Board announced the outcome of its Strategic Review of the Company's operating model. This will result in the business focusing on five key sectors going forward, where we have a proven track record of both delivery and profitability alongside a strong pivot to Infrastructure / Cost plus, and away from fixed-price work. This model will be delivered through two streamlined operating divisions i.e. Buildings and Infrastructure alongside a smaller Group Operating Support function, rather than the current four UK-wide autonomous Regional Operating businesses. The estimated cost of change is £8.4m, but implementation will deliver immediate savings, and is expected to realise annualised savings exceeding £20m over a 12- to 18-month implementation period, the significant majority being completed in the current financial year. A lower cost base will allow us to navigate the ongoing challenging economic environment, as well as to maximise operating margins as the global economy recovers from the inflation and energy-price shock that has impacted the last 12 months.

As disclosed on page 82 in Section 172, and on page 85 in Corporate Governance, on 9 May 2023 the former Executive Leadership Team ("ELT") was dissolved, and on the same day an additional four Executive Directors, three of whom had hitherto served on the ELT, were appointed to the Sir Robert McAlpine Ltd Board.

Other than the above, there have been no significant events since the Balance sheet date that would require adjustment of, or disclosure in these financial statements.

Approved by the Board on 21 July 2023 and signed on its behalf by:

John A Dempsey BA, ACMA, CGMA
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic report and the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) comprising 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, 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.

The Directors 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 LIMITED

Opinion

We have audited the financial statements of the Company for the year ended 31 October 2022 which comprise the Profit and Loss account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement 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 Company's affairs as at 31 October 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the Directors' going concern assessment;
- Evaluating the Directors' method to assess the Company's ability to continue as a going concern;
- Reviewing the Directors' going concern assessment, which incorporated severe but plausible scenarios;
- Evaluating the key assumptions used and judgements applied by the Directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the Directors' disclosures in the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for 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 & Accounts, 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 91, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment, health and safety, anti-bribery, anti-money laundering, general data protection and building regulations.

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 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 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 the audit 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
Chartered Accountants and Statutory Auditor

30 Old Bailey
London
EC4M 7AU
United Kingdom
21 July 2023

Profit and loss account for the year ended 31 October 2022

	Note	2022 £000	2021 £000
Turnover	3	**1,086,866**	937,159
Cost of sales		**(1,063,908)**	(908,978)
Gross profit		**22,958**	28,181
Administrative expenses		**(19,185)**	(20,531)
Other operating income	4	**5,825**	1,937
Operating profit	5	**9,598**	9,587
Interest receivable	6	**22**	4
Amortisation of investments	15	**(242)**	(254)
Revaluation gain on Joint-ownership properties	17	**156**	84
Finance costs	7	**(200)**	(245)
		(264)	(411)
Profit before tax		**9,334**	9,176
Taxation charge	11	**(4,228)**	(915)
Profit for the financial year		**5,106**	8,261

Statement of comprehensive income for the year ended 31 October 2022

	Note	2022 £000	2021 £000
Profit for the financial year		5,106	8,261
Remeasurement gain on the Post-retirement medical scheme obligation	21	1,433	106
Deferred tax charge relating to remeasurement gain on the Post-retirement medical scheme obligation	11	(358)	(14)
Other comprehensive income for the year, net of tax		1,075	92
Total comprehensive income for the year		6,181	8,353

The notes on pages 98 to 116 form an integral part of these financial statements.

(Registration number: 00566823)
Balance sheet as at 31 October 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible fixed assets	12	**22,044**	23,930
Intangible fixed assets	13	**3,323**	1,271
Investments in subsidiaries	14	**5**	6
Other fixed asset investments	15	**5,680**	3,430
		31,052	28,637
Current assets			
Stocks	16	**849**	430
Debtors due within one year	17	**258,055**	237,547
Debtors due after more than one year	17	**20,867**	20,722
Cash and cash equivalents	18	**99,510**	106,222
		379,281	364,921
Creditors: Amounts falling due within one year	19	**(295,591)**	(287,268)
Net current assets		**83,690**	77,653
Total assets less current liabilities		**114,742**	106,290
Creditors: Amounts falling due after more than one year	19	**(20,624)**	(12,356)
Provisions for liabilities	20	**(19,863)**	(24,374)
Net assets excluding post-retirement medical scheme		**74,255**	69,560
Post-retirement medical scheme obligation	21	**(3,930)**	(5,416)
Net assets		**70,325**	64,144
Capital and reserves			
Called up share capital	23	**67,750**	67,750
Profit and loss account		**2,575**	(3,606)
Total equity		**70,325**	64,144

Approved and authorised for issue by the Board on 21 July 2023 and signed on its behalf by:

Leighton More FCA
Director

The notes on pages 98 to 116 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 October 2022

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 November 2021	**67,750**	**(3,606)**	**64,144**
Profit for the financial year	**-**	**5,106**	**5,106**
Other comprehensive income for the year, net of tax	**-**	**1,075**	**1,075**
Total comprehensive income for the year	**-**	**6,181**	**6,181**
At 31 October 2022	**67,750**	**2,575**	**70,325**

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 November 2020	67,750	(11,959)	55,791
Profit for the financial year	-	8,261	8,261
Other comprehensive income for the year, net of tax	-	92	92
Total comprehensive income for the year	-	8,353	8,353
At 31 October 2021	67,750	(3,606)	64,144

The notes on pages 98 to 116 form an integral part of these financial statements.

Cash flow statement for the year ended 31 October 2022

	Note	2022 £000	2021 £000 Restated
Net cash flow from operating activities *	25	**704**	15,891
Cash flow from investing activities			
Purchase of tangible fixed assets	12	**(3,358)**	(3,291)
Sale of tangible fixed assets		**1,919**	1,431
Purchase of intangible fixed assets	13	**(2,266)**	(1,284)
Purchase of investments	15	**(2,492)**	(502)
Sale of Joint-ownership properties		**145**	-
Interest received	6	**22**	4
Net cash flow from investing activities		**(6,030)**	(3,642)
Cash flow from financing activities			
Interest paid *	7	**(3)**	(19)
Repayment of finance lease obligations **	7, 25	**(1,383)**	(2,683)
Net cash flow from financing activities		**(1,386)**	(2,702)
Net (decrease)/increase in cash and cash equivalents		**(6,712)**	9,547
Cash and cash equivalents at beginning of year		**106,222**	96,675
Cash and cash equivalents at end of year		**99,510**	106,222

* The analysis of the comparatives for the year ended 31 October 2021 has been re-presented to remove the non-cash interest charge in respect of the Post-retirement medical scheme obligation (Note 7).

** Including finance lease interest £(101k) (2021: (£138k)).

The notes on pages 98 to 116 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 October 2022

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

These financial statements were authorised for issue by the Board on 21 July 2023.

2 | Accounting policies

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', and with the applicable requirements of the Companies Act 2006.

Basis of preparation

These financial statements are presented in pounds sterling, rounded to the nearest thousand (£000 or £k), 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.

Qualifying entity exemptions from FRS 102

As a consolidated subsidiary within the accounts of its ultimate parent company Newarthill Ltd, the Company has taken advantage of the reduced disclosure requirements available under Section 1.12 of FRS 102, in respect of Sections 11.43 and 11.48(a) of that Standard.

Group accounts not prepared

The financial statements contain information about Sir Robert McAlpine Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of Newarthill Limited, a company incorporated in the United Kingdom.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The financial position of the Company is set out in the Balance sheet and the accompanying notes to the financial statements.

The business has continued to be impacted throughout the financial year and to date by the wider fallout from the global recovery, resulting in what were initially significant supply chain issues followed by a spike in material and labour prices across the construction sector, both of which continue to be exacerbated by the ongoing war in Ukraine. We have sought to mitigate both supply chain and inflationary issues, with both our supply chain and our clients, and have had some success in doing so, primarily with regard to liquidated damages risk and extension of time to complete current projects. The impact on operating margins and thus cash across the business has nonetheless been challenging on certain key projects.

Against this background, the business conducted a Strategic Review of our operating model, to 'focus, adapt and evolve' the way we do business. The new Business Model arising from this Review, described in the Strategic report on page 14, was communicated to the business in early April 2023. This will result in the business focusing on five key sectors going forward, where we have a proven track record of both delivery and profitability alongside a strong pivot to Infrastructure / Cost plus, and away from fixed-price work. This model will be delivered through two streamlined operating divisions i.e. Buildings and Infrastructure alongside a smaller Group Operating Support function, rather than the current four UK-wide autonomous Regional Operating businesses. The estimated cost of change is £8.4m, but implementation will deliver immediate savings, and is expected to realise annualised savings exceeding £20m over a 12- to 18-month implementation period, the significant majority being completed in the current financial year. A lower cost base will allow us to navigate the ongoing challenging economic environment, as well as to maximise operating margins as the global economy recovers from the inflation and energy-price shock that has impacted the last 12 months.

Our order book remains strong into the new financial year, and we continue to be selective in the work we accept, focusing on our new sector and contract-type approach to maximise operating margins. It is therefore likely that revenues will stay broadly flat over the new and the following financial year as we transition to the new sector-based model, but with a step change in mix between Building and Infrastructure revenues over the three-year period.

The order book comprises work on secured, nearly-secured and unsecured contracts. The business has implemented measures to mitigate risk, by discounting the unsecured and nearly-secured elements of revenue in both our profit and loss and resulting cashflow forecasts, to reflect contract-specific and wider business and economic risk, given the current macro-economic environment and outlook. The net cash impact of such discounting is relatively modest after allowing for direct costs, which are all sub-contracted and hence track the reduction in revenue.

As has been the case since the onset of the Pandemic in March 2020, the management of working capital and cash has been robust throughout the financial year, including detailed and regular monthly contract, business unit and Group consolidated cashflow forecasting and modelling, for a minimum duration of 18 months forward at any one time. Such forecasts are reviewed and challenged by group senior management alongside all other performance metrics. The constituent parts of the cash forecasting process are built at granular level, and are fully aligned to the latest profit and loss forecasts.

Risks and opportunities are clearly identified against the baseline model, to identify and stress test upper and lower potential cash outturns, and form part of our ongoing stress-testing of our cash position. Any such risks also form part of subsequent discussions with our parent undertaking, should Group support be considered necessary. Our cash forecast reflects the continuing repayment of amounts outstanding from our parent company, as and when called for.

The cash balances of £99.5m at the close of FY22 were only a modest £6.7m less than at the end of October 2021. The Board is confident that the Company has sufficient levels of cash reserves to manage its working capital requirements, both to deliver existing projects and to take on new business, with no external debt repayable on demand, through to the end of the Going Concern forecast period at 31 October 2024. The Company has no borrowings other than fixed-rate finance leases, no debt covenants or restrictions and therefore, with no material foreign exchange transactions or balances, has no significant interest rate or exchange rate risk.

The Directors have therefore concluded that the Company continues to operate as a going concern, with no material uncertainties relating to the period to 31 October 2024, and hence they have presented the financial statements for the year ended 31 October 2022 on a going concern basis.

Critical judgements in applying the Company's accounting policies

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.

Deferred tax

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. Judgment is therefore applied as to the level of such assets which should be recognised, based on the availability and timing of future taxable profits per Board-approved forecasts.

Key sources of estimation uncertainty

Turnover and Contract costs

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, due to the occurrence of unforeseen events or other changes in circumstances, economic or otherwise, then this could result in a positive or negative change in underlying profitability and cash flow.

The carrying amounts of Amounts receivable on contracts, and Contract retentions due, are set out in Note 17, and the carrying amounts of Amounts payable on contracts, and Contract retentions payable, are set out in Note 19.

Deferred tax

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 Company's Board-approved budgets and forecasts. No deferred tax assets recognised at the balance sheet date are expected to be recoverable within 12 months of that date (2021: £2,488k).

Provisions for liabilities

Remedial provisions

Provisions 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 the remedial work based on the respective contractual requirements. Unless there is certainty that the remedial work will be delayed or deferred beyond one year from the Balance sheet date, the amounts provided for those costs are not discounted.

Onerous contract provisions

Provisions are made for contracts where the forecast unavoidable costs to complete those contracts exceed the economic benefits expected to be received. These provisions require management's best estimate of the costs that will be required to complete the contracts based on the respective contractual requirements. Unless there is certainty that the contracts' completion will be delayed or deferred beyond one year from the balance sheet date, the amounts provided for those costs are not discounted.

Significant accounting policies

(a) Revenue recognition

Turnover represents the value of infrastructure and building work carried out during the year, including the Company's share of turnover in jointly-controlled operations, and also includes fees earned from clients for managing projects on their behalf under Construction Management contracts.

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 incurred at the reporting date compared to the estimated total costs of the contract at completion. Estimates of the final out-turn on each contract may include cost contingencies, to take account of the specific risks that have been identified within each contract. The cost contingencies are reviewed on a regular basis throughout each contract's life and are adjusted where appropriate. The Directors continually review the estimated final out-turn on contracts, and in certain limited cases, assess amounts recoverable from insurers, and make appropriate adjustments where necessary.

Construction turnover includes variations in contract work, which are recognised when it is probable that they will be agreed by the client and the amounts 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.

(b) Government grants

The Company benefits from Research and 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.

During the prior years ended 31 October 2021 and 2020, the Company was additionally able to reclaim certain employment costs, in respect of “furloughed” staff, under the Government’s “Coronavirus Job Retention Scheme”. Such grants were also recognised on an accruals basis as income during the respective years.

(c) Foreign currency transactions and balances

Transactions 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.

Exchange movements on such translation are dealt with in the Profit and loss account.

(d) Research & development costs

Research costs are expensed as incurred. Development costs re operational and systems improvement programs, for use across the business, are capitalised as intangible assets when it is probable that future economic benefits attributable to the costs are going to flow to the Company and the costs can be measured reliably.

(e) 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 Company operates and generates taxable income.

Deferred tax is recognised on timing differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised, and on unused but recoverable 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 expected future taxable profits.

(f) Tangible fixed assets

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

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

(g) Depreciation

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

The depreciation bases for each class of asset are set out below.

Asset class	Depreciation method and rate
Freehold buildings other than properties under construction	Reducing balance at 5% per annum
Furniture, fittings and equipment	Straight-line on cost at between 20% and 50% per annum
Plant and equipment	Reducing balance of vehicles at 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

(h) Intangible fixed assets

Internally-generated assets, comprising software and consultancy costs, are recognised at cost less accumulated amortisation and impairment losses.

Amortisation is recognised on a straight-line basis over 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 estimated useful lives for the Company’s finite-life intangible assets are 3 to 10 years. Amortisation commences once the asset is in use, and the charge is recognised in administrative expenses. Assets under construction are not amortised.

(i) Investments in subsidiaries

Investments in subsidiaries are stated at cost less any impairment.

(j) Jointly-controlled operations

Construction contracts carried out as a joint arrangement without the establishment of a legal entity are joint operations. The Company’s share of the results and of the gross assets and liabilities of these joint operations are included under each relevant heading in the Profit and loss account and the Balance sheet.

(k) Other fixed asset investments

Investments in equity shares which are not publicly traded, and where fair value cannot be measured reliably, are measured at cost. Unlisted debentures are measured at cost, less a charge for amortisation over their useful life at between 0% and 25.0% per annum.

(l) Joint-ownership properties

Amounts receivable in respect of the Company’s joint ownership of properties are financial instruments under section 12 of FRS 102. Amounts receivable are initially stated at transaction price, and are revalued annually at the Balance sheet date using published price indices. Unrealised gains and losses on those receivables are accounted for as fair value movements in the Profit and loss account.

(m) Cash and cash equivalents

Cash and cash equivalents can include cash in hand, call deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Interest receivable is classified as arising from Investing activity in the Cash flow statement.

(n) Trade debtors
Trade debtors are amounts due from customers for services performed in the ordinary course of business, and are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

(o) 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.

(p) 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 Company 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 such an unconditional right then 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 rate method.

(q) Provisions for liabilities
Provisions are recognised when the Company 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.

(r) Leases
Finance leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all of 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 in the Balance sheet so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Operating leases
All other leases are operating leases, and the rentals payable on those leases are charged to the Profit and loss account as incurred over the lives of the related leases.

(s) 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.

(t) 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.

(u) Defined contribution pension obligations
A defined contribution plan is a pension plan under which contributions are paid into a pension fund and the Company 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.

(v) Defined benefit pension obligation
The Company 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 21, 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.

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

(x) Post-retirement medical scheme obligation
The Company 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 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 finance costs. More information on this scheme can be found in Note 21 below.

3 | Turnover

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2022 £000	2021 £000
Contracting	**1,086,866**	937,159

All turnover is generated in the United Kingdom.

4 | Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2022 £000	2021 £000
Coronavirus Job Retention Scheme grants	**-**	119
Research and Development Expenditure Credits	**5,148**	1,213
Gains on disposal of tangible fixed assets	**686**	605
Loss on disposal of Joint-ownership properties	**(9)**	-
	5,825	1,937

5 | Operating profit

Arrived at after charging:

	2022 £000	2021 £000 Restated
Depreciation of tangible fixed assets	**5,366**	4,822
Amortisation of intangible fixed assets	**54**	13
Operating lease expense - property	**2,114**	4,835
Operating lease expense - plant and equipment	**9,598**	11,601
Loss on disposal of intangible fixed assets	**100**	-
Foreign exchange losses	**28**	514
Research and development expenditure*	**23,077**	25,754

* 2021 expenditure was previously reported incorrectly as £9,231,000

6 | Interest receivable

	2022 £000	2021 £000
Bank interest receivable	**22**	4

7 | Finance costs

	2022 £000	2021 £000
Interest on obligations under finance leases	**101**	138
Interest on the Post-retirement medical scheme obligation	**96**	88
Other interest payable	**3**	19
	200	245

8 | Staff costs

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

	2022 £000	2021 £000
Wages and salaries	**158,912**	160,021
Social security costs	**18,690**	17,294
Pension costs, defined contribution schemes	**8,089**	7,284
Pension costs, defined benefit scheme	**301**	297
Pension costs, Unregulated, unfunded savings plan	**200**	185
	186,192	185,081

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

	2022 No.	2021 No. Restated
Operations	**2,003**	2,001
Administration	**163**	157
	2,166	2,158

9 | Directors' remuneration

The Directors' remuneration for the year was as follows:

	2022 £000	2021 £000
Remuneration	**3,151**	2,753
Pension costs, defined contribution schemes	**34**	36
Pension costs, defined benefit scheme	**301**	297
Pension costs, Unregulated, unfunded savings plan	**34**	27
	3,520	3,113

In respect of the highest paid director:

	2022 £000	2021 £000
Remuneration	**841**	765

No contributions were paid, in either the current or the prior year, to defined contribution schemes, the defined benefit scheme or to the Unregulated, unfunded pension savings plan, in respect of the highest paid director. The highest paid director has no accrued pension or lump sum from any of those schemes.

During the year the number of directors who were receiving pension scheme benefits was as follows:

	2022 No.	2021 No.
Accruing benefits under defined contribution schemes	**1**	2*
Accruing benefits under the defined benefit scheme	**2**	2
Accruing benefits under the Unregulated, unfunded pension savings plan	**2**	2*

* In 2021 one of the Directors was a member of a defined contribution pension scheme for the first 3 months of the financial year, then from 1 February 2021 transferred to the Unregulated, unfunded pension savings plan.

10 | Auditor's remuneration

	2022 £000	2021 £000
Audit of the financial statements	**330**	305

There were no other fees payable to the independent auditor (2021: £Nil).

11 | Taxation

	2022 £000	2021 £000
Current taxation		
United Kingdom corporation tax	**(570)**	(190)
United Kingdom corporation tax adjustment to prior periods	**355**	(215)
	(215)	(405)
Deferred taxation		
Arising from origination and reversal of timing differences	**(3,832)**	(1,950)
United Kingdom corporation tax rate change	**276**	1,358
United Kingdom deferred tax adjustment to prior periods	**(457)**	82
	(4,013)	(510)
Tax charge in the Profit and loss account	**(4,228)**	(915)

In addition to the tax charge in the Profit and loss account, deferred tax of £358k (2021: £14k) was charged directly to other comprehensive income in respect of the remeasurement gain on the Post-retirement medical scheme obligation.

The tax charge for the year in the Profit and loss account is reconciled below:

	2022 £000	2021 £000
Profit before tax	**9,334**	9,176
Corporation tax charge on profit at standard UK		
rate of 19% (2021: 19%)	**(1,773)**	(1,743)
Income not taxable in determining taxable profit	**499**	41
Expenses not deductible for tax purposes	**(316)**	(145)
Revaluation of Joint-ownership properties	**(20)**	(2)
Change in unrecognised deferred tax assets	**(5,370)**	(2,953)
Adjustments to tax charge in respect of previous periods	**(102)**	(133)
Remeasurement of deferred tax assets and liabilities due to changes in UK tax rate	**276**	1,358
Group relief surrendered for nil consideration	**(814)**	(151)
Impact of transfer pricing adjustments	**3,392**	2,813
Total tax charge	**(4,228)**	(915)

Deferred tax assets

	2022 £000	2021 £000
Fixed assets timing differences	**457**	864
Losses	**4,765**	6,558
Research and Development Expenditure Credits	**-**	1,410
Post-retirement medical scheme obligation	**983**	1,332
	6,205	10,164

In February 2022 the UK Government enacted a new corporate tax rate for large companies, as part of the Finance Act 2022, 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, at a rate of 25% (2021: a blended rate of 22%).

It is expected that £Nil (2021: £2,488k) of the deferred tax assets will reverse during the next financial year.

The Company has not recognised £50,080k (2021: £46,607k) of deferred tax assets, calculated at 25% (2021: 25%), due to uncertainties as to the period of their recovery. Those unrecognised assets comprise:

	2022 £000	2021 £000
Accelerated capital allowances	**2,630**	3,034
Tax losses	**46,780**	42,850
Other timing differences	**670**	723
	50,080	46,607

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

12 | Tangible fixed assets

	Freehold land and buildings £000	Furniture, fittings and equipment £000	Plant and equipment £000	Total £000
Cost				
At 1 November 2021	1,722	4,341	64,717	70,780
Additions	-	1,321	3,332	4,653
Transfers (Note 13)	-	60	-	60
Disposals	-	(205)	(6,461)	(6,666)
At 31 October 2022	1,722	5,517	61,588	68,827
Depreciation				
At 1 November 2021	952	2,794	43,104	46,850
Charge for the year	31	1,169	4,166	5,366
Eliminated on disposals	-	(123)	(5,310)	(5,433)
At 31 October 2022	983	3,840	41,960	46,783
Carrying amount				
At 31 October 2022	739	1,677	19,628	22,044
At 31 October 2021	770	1,547	21,613	23,930

Assets held under finance leases
The net carrying amount of tangible fixed assets includes the following amounts in respect of assets held under finance leases:

	2022 £000	2021 £000
Plant and equipment (including £1,295k additions in the year (2021: £1,217k))	3,514	5,435

13 | Intangible assets

	Software development £000	Assets under construction £000	Total £000
Cost			
At 1 November 2021	120	1,164	1,284
Reclassifications	341	(341)	-
Additions	551	1,715	2,266
Transfers	(216)	156	(60)
Disposals	(27)	(73)	(100)
At 31 October 2022	769	2,621	3,390
Amortisation			
At 1 November 2021	13	-	13
Charge for the year	54	-	54
Eliminated on disposals	-	-	-
At 31 October 2022	67	-	67
Carrying amount			
At 31 October 2022	702	2,621	3,323
At 31 October 2021	107	1,164	1,271

Reclassifications comprise the transfer of assets to software development once construction is completed and amortisation commences. Transfers comprise the reallocation of costs as between assets.

14 | Investments in subsidiaries

	£000
At cost	
At 1 November 2021	6
Disposals	(1)
At 31 October 2022	5
Carrying amount	
At 31 October 2022	5
At 31 October 2021	6

The subsidiaries of Sir Robert McAlpine Limited are wholly-owned, except where otherwise stated, and are listed below. Except where also otherwise stated they were incorporated in Great Britain, registered in England and Wales, and the principal country of operation is the United Kingdom.

All shares held in subsidiary undertakings are Ordinary shares and, in the Directors' opinion, the aggregate value of the shares in each of the subsidiary undertakings is not less than the aggregate amounts at which they are stated in the Balance sheet.

As permitted by S.400 Companies Act 2006, group accounts have not been prepared as Sir Robert McAlpine Limited is itself a wholly-owned subsidiary. Consequently, these accounts give information about the Company rather than the group.

	Country of Incorporation and Principal Country of Operation
Construction-related	
Sir Robert McAlpine Management Contractors Limited	England & Wales
Bankside Electrical Contractors Limited	England & Wales
British Contracts Company Limited	England & Wales
Derby Joinery Limited	England & Wales

The registered address for each of the above companies is
Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TR.

J3 Limited	Jersey

The Company owns 75% of the Ordinary shares in this company.

The registered address for this company is Level 2, 1 Britannia Place, Bath Street, St Helier, Jersey JE2 4SU.

In October 2022, the Company's investment in McAlpine Properties Limited, a Property development company incorporated, registered and operating in the Cayman Islands, was sold at cost to Sir Robert McAlpine (Holdings) Limited, the Company's immediate parent, and the consideration for the sale is included within amounts due from Related Parties (see Note 17. below).

15 | Other fixed asset investments

	Unlisted investments £000	Unlisted debentures £000	Unlisted securities £000
Cost			
At 1 November 2021	**2,703**	**1,688**	**4,391**
Additions at cost	**700**	**1,792**	**2,492**
At 31 October 2022	**3,403**	**3,480**	**6,883**
Amortisation			
At 1 November 2021	**-**	**961**	**961**
Charge for the year	**-**	**242**	**242**
At 31 October 2022	**-**	**1,203**	**1,203**
Carrying amount			
At 31 October 2022	**3,403**	**2,277**	**5,680**
At 31 October 2021	2,703	727	3,430

16 | Stocks

	2022 £000	2021 £000
Raw materials and consumables	**849**	430

17 | Debtors

	Note	2022 £000	2021 £000
Due within one year:			
Trade debtors		44,079	27,733
Amounts recoverable on contracts		53,474	39,055
Contract retentions due		16,257	16,752
Amounts owed by related parties		123,149	134,906
Other debtors		6,166	3,578
Prepayments		8,711	10,598
Deferred tax assets	11	-	2,488
Corporation tax asset		6,219	2,437
		258,055	237,547

Amounts due from related parties, comprising the immediate parent company £121,626k (2021: £134,072k), subsidiary undertakings £744k (2021: £744k) and fellow subsidiary undertakings £779k (2021: £90k), are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

		2022 £000	2021 £000
Due after more than one year:			
Contract retentions due		**14,087**	12,473
Joint-ownership properties (including revaluation gain £156k (2021: revaluation gain £84k))		**575**	573
Deferred tax assets	11	**6,205**	7,676
		20,867	20,722

Joint-ownership properties are Financial assets, valued at the Balance sheet date using price indices for comparable properties.

18 | Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank	**99,510**	106,222

Cash at bank includes £21,497k (2021: £16,327k) in respect of jointly-controlled operations.
The Company had no cash at bank held under terms which are restrictive (2021: £Nil).

19 | Creditors

	Note	2022 £000	2021 £000
Amounts falling due within one year:			
Finance leases	22	**929**	1,206
Trade creditors		**64,993**	43,067
Amounts payable on contracts		**173,753**	175,225
Contract retentions payable		**13,980**	20,834
Amounts due to related parties		**246**	246
Social security and other taxes		**30,437**	34,751
Other creditors		**567**	172
Accruals		**10,686**	11,767
		295,591	287,268
Amounts falling due after more than one year:			
Finance leases	22	**1,963**	1,673
Contract retentions payable		**18,661**	10,683
		20,624	12,356

Amounts due to related parties, comprising subsidiary undertakings £240k (2021: £240k) and fellow subsidiary undertakings £6k (2021: £6k), are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

20 | Provisions for liabilities

	Remedial provisions £000	Onerous contract provisions £000	Total provisions £000
At 1 November 2021	**24,374**	-	**24,374**
Provisions utilised	**(13,511)**	-	**(13,511)**
Provisions released	**(8,033)**	-	**(8,033)**
Additional provisions	**6,033**	**11,000**	**17,033**
At 31 October 2022	**8,863**	**11,000**	**19,863**

Remedial provisions comprise provisions for costs expected to be incurred in respect of identified remedial works on completed contracts. Whilst the extent and likely cost of the identified remedial work are reasonably certain, the detail and timing of that work, and the associated spend, have not yet been agreed. Although such remedial work may be delayed or deferred beyond the financial year 2022-23, there is no certainty that it will not be carried out in that year and hence the amounts provided have not been discounted.

Onerous contract provisions comprise provisions for losses expected to be incurred through to completion of certain contracts. Although completion of those contracts may be delayed or deferred beyond the financial year 2022-23, there is no certainty that they will not be completed in that year and hence the amounts provided have not been discounted.

21 | Post-retirement pension schemes and other employee benefits

Defined benefit and defined contribution pension schemes

The Company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The date of the most recent triennial actuarial valuation was 31 October 2018. The 2021 valuation is currently being carried out but has yet to be finalised. 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 0.75% 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. Pension increases are based on LPI Pension Increase 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 is 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 company's financial statements. These disclosures show the scheme to have a net deficit at 31 October 2022 of £74.6m (2021: £88.8m) 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 Company operates two defined contribution pension schemes where employee contributions are matched by contributions from the Company. The pension cost charge for the year for these defined contribution pension schemes represents contributions payable by the Group to the schemes and amounted to £8,089k (2021: £7,284k). All costs were expensed as incurred and there were no amounts outstanding, by way of either amounts owing or commitments, at the end of the financial year (2021: £Nil).

Unregulated, unfunded pension savings plan

The Company operates an Unregulated, unfunded pension savings plan, for eligible senior employees who are members of neither the defined benefit scheme nor a defined contribution pension scheme. Contributions to the plan, at 6% of pensionable salary, are accrued by the Company, and the accrued balance is adjusted annually for inflation. The charge for the year for this plan amounted to £200k (2021: £185k), and the accrued balance at 31 October 2022 was £1,362k (2021: £1,232k).

Post-retirement medical scheme

The Company provides unfunded medical insurance benefits for a number of its employees after their retirement.

The date of the most recent actuarial valuation was 31 October 2022. The valuation was carried out by a third-party actuarial company.

The amounts recognised in the Balance sheet are as follows:

	2022 £000	2021 £000 Restated
Present value of scheme obligation	**3,930**	5,416
Deferred tax asset	**(983)**	(1,332)
	2,947	4,084

The deferred tax asset at 31 October 2021 in respect of the Post-retirement medical scheme obligation was previously reported incorrectly as £1,029k.

Changes in the Post-retirement medical scheme obligation were as follows:

	£000
Present value at 1 November 2021	5,416
Interest cost	96
Actuarial gain on liabilities	(1,433)
Employer contributions	(149)
Present value at 31 October 2022	3,930

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

	2022 %	2021 %
Discount rate	4.80	1.80
Medical expenses inflation	9.50	10.00

22 | Obligations under leases

Finance leases
Finance leases relate to the purchase of heavy plant and machinery used in the Company's construction activities. Cranes are classified as plant and equipment within Note 12. There are no contingent rental, renewal or purchase option clauses in these leases.

The total of future minimum finance lease payments is as follows:

	2022 £000	2021 £000
Within one year	929	1,206
After one year but not later than five years	1,963	1,673
	2,892	2,879

Operating leases
The total of future minimum operating lease payments is as follows:

	2022 £000	2021 £000
Within one year	2,814	2,726
After one year but not later than five years	5,911	5,061
After five years	191	-
	8,916	7,787

The amount of non-cancellable operating lease payments recognised as an expense during the year was £11,712k (2021: £16,436k), comprising land and buildings £2,114k (2021: £4,835k) and plant and machinery £9,598k (2021: £11,601k).

23 | Called up share capital

Allotted, called up and fully-paid shares

	2022		2021	
	No. 000	**£000**	**No. 000**	**£000**
Ordinary shares of £1 each	**67,750**	**67,750**	67,750	67,750

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

24 | Reconciliation of operating profit to net cash flow from operating activities

	2022 £000	2021 £000 Restated
Operating profit	**9,598**	9,587
Adjustments for:		
Depreciation of tangible fixed assets	**5,366**	4,822
Amortisation of intangible fixed assets	**54**	13
Research and Development Expenditure Credits timing differences **	**(4,264)**	(208)
Gains on disposal of tangible fixed assets	**(686)**	(605)
Loss on disposal of intangible fixed assets	**100**	-
Loss on disposal of Joint-ownership properties	**9**	-
(Increase)/decrease in stocks	**(419)**	12
(Increase)/decrease in debtors **	**(25,249)**	2,288
Increase in creditors	**16,578**	9,706
Decrease in provisions	**(4,511)**	(9,005)
Decrease in the Post-retirement medical scheme obligation *	**(149)**	(155)
Net cash (used in)/generated by operations	**(3,573)**	16,455
Corporation tax repaid/(paid) **	**4,277**	(564)
Net cash flow from operating activities *	**704**	15,891

The analysis of the comparatives for the year ended 31 October 2021 has been re-restated:

* to remove the non-cash interest cost on the Post-retirement medical scheme obligation (Note 7); and

** to re-present the non-cash element of Research and Development Expenditure Credit income.

25 | Net cash/(debt) reconciliation

	2021 £000	New finance leases £000	Cash flows £000	2022 £000
Cash at bank	106,222	-	(6,712)	99,510
Finance leases	(2,879)	(1,295)	1,282	(2,892)
Net cash/(debt)	103,343	(1,295)	(5,430)	96,618

26 | Capital commitments

There were commitments of £485k at 31 October 2022 (2021: £1,700k) in respect of the acquisition of tangible fixed assets. There were no material commitments (2021: £Nil) in respect of intangible fixed assets.

27 | Contingent liabilities

Bonds are provided 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 impractical to estimate the financial effect, timing or probability of payments in relation to the above items.

Legal claims, actions in progress and investigations are assessed by the Board, taking account of legal advice received as to the respective likelihood of success. Provision is made for the Directors' best estimate of the potential obligation of items considered likely to succeed. No provision is made for items considered unlikely to succeed, or for items for which the potential obligation cannot be estimated with sufficient reliability.

28 | Related party transactions

There were transactions amounting to £199,594k (2021: £136,737k) in respect of construction and other contracts on normal commercial terms with various joint arrangements, of which £658k (2021: £1,213k) was owing at the year end and included within debtors due in less than one year (Note 17).

There were transactions amounting to £74,271k (2021: £44,840k) in respect of construction and other contracts on normal commercial terms with joint ventures and unlisted investments, of which £Nil (2021: £Nil) was owing at the year end.

The related party transactions all relate to construction contracts with blue-chip clients, including Government bodies. Whilst there is no security for amounts owed, or guarantees provided, there is no history of write-offs or evidence of credit risk, and hence no provisions are required in respect of balances due.

29 | Parent and ultimate parent undertaking

The Company's immediate parent is Sir Robert McAlpine (Holdings) Limited, which is the smallest company that consolidates Sir Robert McAlpine Limited and is incorporated in the United Kingdom. This company's financial statements are available upon request from Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR.

The ultimate parent is Newarthill Limited, which is the most senior parent entity producing publicly available financial statements and is also the largest company that consolidates Sir Robert McAlpine Limited, is incorporated in the United Kingdom. This company's financial statements are also available upon request from Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR.

The ultimate controlling party is The McAlpine Partnership Trust.

30 | Post Balance sheet events

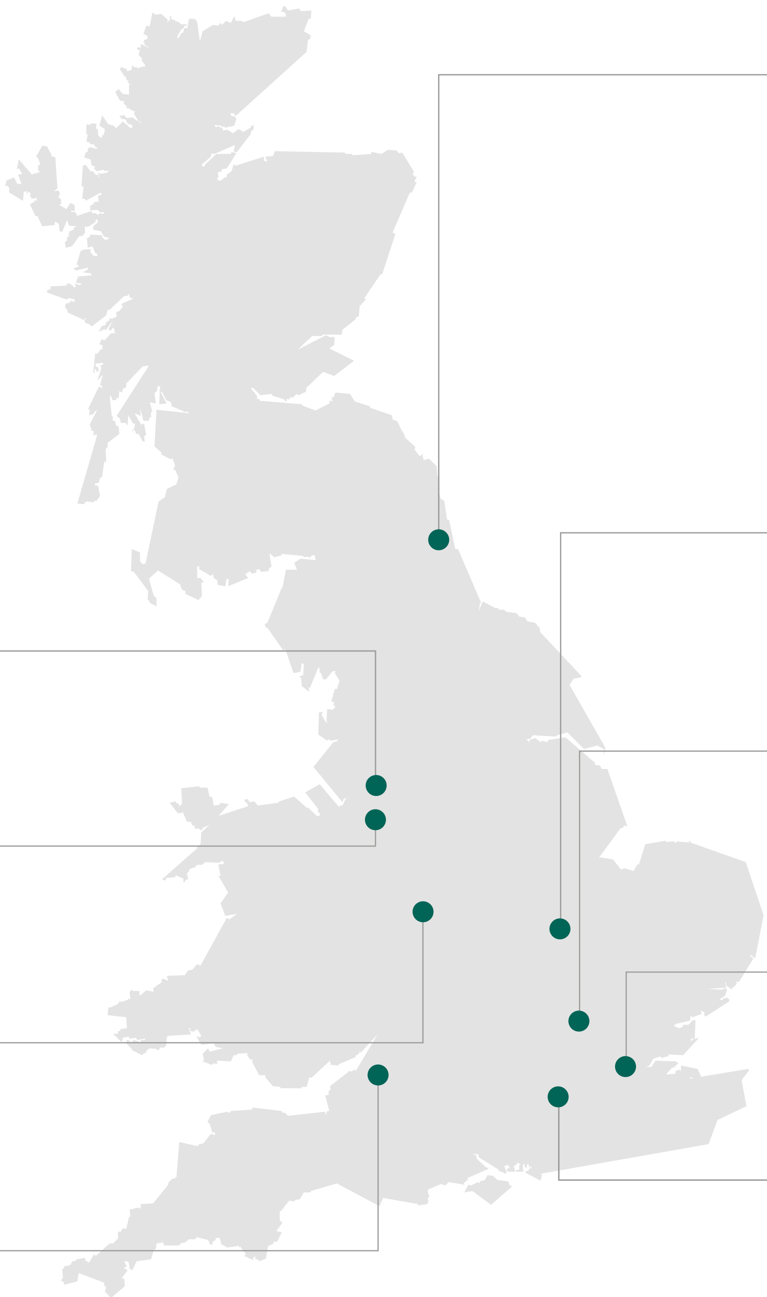
Since the year end, following the ongoing supply chain and inflationary environment, some of the Company's material long term contracts, scheduled for completion in 2023, continue to be affected by a series of delays and events, financial and non-financial, such that the outturn on those contracts is now expected to have deteriorated by a further £23m to £33m more than could have been anticipated at the Balance sheet date. However, management teams have identified a number of actions to improve the outcome of these projects and are focused on implementing them. The transition to our national sector-focused operating model, with supporting centres of excellence, has also been designed to reduce the risks that could affect the delivery of our projects.

As described in more detail in the Strategic report, and in Going concern on page 98 within Accounting policies in Note 1 to these financial statements, in early April 2023 the Board announced the outcome of its Strategic Review of the Company's operating model. This will result in the business focusing on five key sectors going forward, where we have a proven track record of both delivery and profitability alongside a strong pivot to Infrastructure / Cost plus, and away from fixed-price work. This model will be delivered through two streamlined operating divisions i.e. Buildings and Infrastructure alongside a smaller Group Operating Support function, rather than the current four UK-wide autonomous Regional Operating businesses. The estimated cost of change is £8.4m, but implementation will deliver immediate savings, and is expected to realise annualised savings exceeding £20m over a 12- to 18-month implementation period, the significant majority being completed in the current financial year. A lower cost base will allow us to navigate the ongoing challenging economic environment, as well as to maximise operating margins as the global economy recovers from the inflation and energy-price shock that has impacted the last 12 months.

As disclosed on page 82 in Section 172, and on page 85 in Corporate Governance, on 9 May 2023 the former Executive Leadership Team ("ELT") was dissolved, and on the same day an additional four Executive Directors, three of whom had hitherto served on the ELT, were appointed to the Sir Robert McAlpine Ltd Board.

Other than the above, there have been no significant events since the Balance sheet date that would require adjustment of, or disclosure in these financial statements.

OUR OFFICES



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