

Registration number: 02042076

# Costain Alcaidesa Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



# **Costain Alcaidesa Limited**

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## **Costain Alcaidesa Limited**

### **Company Information**

<b>Directors</b>	A Wyllie A O Bickerstaff L J Fleming
<b>Company secretary</b>	T A Wood
<b>Registered office</b>	Costain House Vanwall Business Park Maidenhead Berkshire SL6 4UB
<b>Independent auditor</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

## Costain Alcaidesa Limited

### Directors' Report for the Year Ended 31 December 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

#### **Directors of the company**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A Wyllie

A O Bickerstaff

L J Fleming

#### **Principal activity**

The principal activity of the company is investment holding.

#### **Dividends**

The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £Nil).

#### **Business review**

##### *Fair review of the business*

The company recorded a loss for the financial year of £266,864 (2017: loss £755,124), with net assets of £3,294,550 (2017: £3,488,435).

The company is dependent for its working capital on funds provided to it by Costain Engineering & Construction Limited, the Company's United Kingdom holding undertaking. Costain Engineering & Construction Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company and in particular will not seek repayment of the amounts currently made available.

This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

#### **Disclosure of information to the auditor**

The directors confirm that, so far as they are aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the company's external auditor is unaware and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's external auditor is aware of that information.

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

#### **Reappointment of auditor**

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

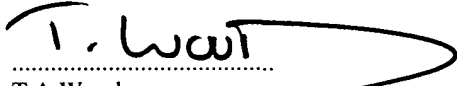
#### **Small companies provision statement**

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies, therefore the company has taken the exemption from the requirement to present a strategic report.

**Costain Alcaidesa Limited**

**Directors' Report for the Year Ended 31 December 2018 (continued)**

Approved by the Board on 18 April 2019 and signed on its behalf by:

  
.....  
T A Wood  
Company secretary

## **Costain Alcaidesa Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

# **Independent Auditor's Report to the Members of Costain Alcaidesa Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Costain Alcaidesa Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

## **Independent Auditor's Report to the Members of Costain Alcaidesa (continued)**

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### **Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.



## **Independent Auditor's Report to the Members of Costain Alcaidesa Limited (continued)**

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

#### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



.....  
Diane Walmsley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

1 Embankment Place  
London  
WC2N 6RH

18 April 2019

## Costain Alcaidesa Limited

### Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Revenue			
Cost of sales		<u>(4,686)</u>	<u>(692,932)</u>
Operating loss	4	<u>(4,686)</u>	<u>(692,932)</u>
Finance income	8	294,969	297,768
Finance costs	9	<u>(773,012)</u>	<u>(388,965)</u>
Net finance cost		<u>(478,043)</u>	<u>(91,197)</u>
Loss before tax		(482,729)	(784,129)
Income tax credit	10	<u>215,865</u>	<u>29,005</u>
Loss for the financial year		<u>(266,864)</u>	<u>(755,124)</u>

The above results were derived from continuing operations.

**Costain Alcaidesa Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2018**

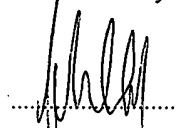
	2018 £	2017 £
Loss for the financial year	(266,864)	(755,124)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Gain/(loss) on cash flow hedges	<u>72,979</u>	<u>(160,271)</u>
Total comprehensive expense for the year	<u><u>(193,885)</u></u>	<u><u>(915,395)</u></u>

## Costain Alcaidesa Limited

(Registration number: 02042076)  
Balance Sheet as at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
<b>Fixed assets</b>			
Investments	11	23,443,839	23,443,839
<b>Current assets</b>			
Debtors	12	9,910,202	10,665,673
Cash at bank and in hand	13	<u>638,341</u>	<u>196,497</u>
		10,548,543	10,862,170
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	14	<u>(30,697,832)</u>	<u>(30,817,574)</u>
<b>Net current liabilities</b>		<u>(20,149,289)</u>	<u>(19,955,404)</u>
<b>Net assets</b>		<u>3,294,550</u>	<u>3,488,435</u>
<b>Capital and reserves</b>			
Called up share capital	15	32,500,000	32,500,000
Hedging reserve		(4,090,186)	(4,163,165)
Profit and loss account		<u>(25,115,264)</u>	<u>(24,848,400)</u>
<b>Total shareholders' funds</b>		<u>3,294,550</u>	<u>3,488,435</u>

The financial statements on pages 8 to 23 were approved by the Board of directors on 18 April 2019 and signed on its behalf by:

  
.....  
A O Bickerstaff  
Director

**Costain Alcaidesa Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2018**

	<b>Called up share capital £</b>	<b>Hedging reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 January 2018	<u>32,500,000</u>	<u>(4,163,165)</u>	<u>(24,848,400)</u>	<u>3,488,435</u>
Loss for the financial year	-	-	(266,864)	(266,864)
Other comprehensive income	-	72,979	-	72,979
Total comprehensive income/(expense)	<u>-</u>	<u>72,979</u>	<u>(266,864)</u>	<u>(193,885)</u>
At 31 December 2018	<u><u>32,500,000</u></u>	<u><u>(4,090,186)</u></u>	<u><u>(25,115,264)</u></u>	<u><u>3,294,550</u></u>

	<b>Called up share capital £</b>	<b>Hedging reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 January 2017	<u>32,500,000</u>	<u>(4,002,894)</u>	<u>(24,093,276)</u>	<u>4,403,830</u>
Loss for the financial year	-	-	(755,124)	(755,124)
Other comprehensive expense	-	(160,271)	-	(160,271)
Total comprehensive expense	<u>-</u>	<u>(160,271)</u>	<u>(755,124)</u>	<u>(915,395)</u>
At 31 December 2017	<u><u>32,500,000</u></u>	<u><u>(4,163,165)</u></u>	<u><u>(24,848,400)</u></u>	<u><u>3,488,435</u></u>

The notes on pages 12 to 23 form an integral part of these financial statements.

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018

#### 1 General information

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

The address of its registered office is:

Costain House  
Vanwall Business Park  
Maidenhead  
Berkshire  
SL6 4UB  
UK

These financial statements were authorised for issue by the Board on 18 April 2019.

#### 2 Accounting policies

##### Summary of significant accounting policies and key accounting estimates

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

##### Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through other comprehensive income, and in accordance with the Companies Act 2006.

The company is a wholly-owned subsidiary of Costain Group PLC and is included in the consolidated financial statements of Costain Group PLC, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

##### Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment which the company operates. The financial statements are presented in 'pounds sterling' (£), which is also the company's functional currency.

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 2 Accounting policies (continued)

##### Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;
- (b) The requirements of IAS 1 to provide a Statement of Cash flows for the year;
- (c) The requirements of IAS 1 to provide a statement of compliance with IFRS;
- (d) The requirements of IAS 1 to disclose information on the management of capital;
- (e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;
- (f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;
- (h) The requirements of IFRS 7 to disclose financial instruments;
- (i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs; and
- (j) IAS 7, 'Statement of Cash Flows'.

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the Group financial statements of Costain Group PLC.

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 2 Accounting policies (continued)

##### Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Costain Engineering & Construction Limited, the Company's United Kingdom holding undertaking. Costain Engineering & Construction Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company and in particular will not seek repayment of the amounts currently made available.

This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

##### New standards and changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements. These include:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

##### Finance income and costs policy

Interest receivable and payable on bank deposits and between group undertakings is credited or charged to the profit and loss as incurred, using the effective interest method.

##### Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at year-end exchange rates. Exchange differences on such items and on transactions completed in the ordinary course of business are dealt with in profit on ordinary activities. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

##### Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income 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.



## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 2 Accounting policies (continued)

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### **Investments**

Fixed asset investments are stated at historical cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Impairments are reversed in line with improvements in the recoverable amount of the investment.

#### **Financial instruments**

##### **Initial recognition**

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of directly attributable premiums, discounts and transaction costs.

Subsequent to initial measurement, financial assets and financial liabilities are measured at amortised cost.

##### **Derecognition**

###### *Financial assets*

The company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

###### *Financial liabilities*

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

##### **Derivative financial instruments**

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include forwards and swaps in the interest rate and foreign exchange markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

The notes on pages 12 to 23 form an integral part of these financial statements.

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 2 Accounting policies (continued)

##### **Hedge accounting**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities.

The company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the company formally documents the relationship between the hedging instruments and hedge items.

These hedging relationships are discussed below.

##### *Cash flow hedges*

The company makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, then the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

##### *Hedges of a net investment in a foreign operation*

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a foreign investment, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented as a separate reserve within equity.

Any ineffective portion of the changes in the fair value of the hedge instrument is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign investment.

##### **Debtors**

Debtors are recognised initially at the transaction price and subsequently measured at amortised costs using the effective interest method, less provision for impairment. A provision for the impairment of debtors is established when there is object evidence that the company will not be able to collect all amounts due according to the original terms of the debt.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for intercompany balances. To measure the expected credit losses, intercompany balances have been grouped based on shared credit risk characteristics and the days past due.

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 2 Accounting policies (continued)

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and 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 changes in value.

##### Trade and other payables

Payables are recognised initially at the fair value and subsequently measured at amortised costs using the effective interest method.

##### 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. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### Dividend income

Dividend income is recognised when the right to receive payment is established.

##### IFRSs not applied

The following IFRSs having been endorsed, will be applicable as stated below:

IFRS 16 'Leases' was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and financial leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The Directors are assessing the impact of IFRS 16 but do not expect it to have a material impact on the company results. The Directors do not currently anticipate that the adoption of any other standard or interpretation that has been issued but is not yet effective will have a material impact on the financial statements of the company in future periods.

#### 3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no significant judgements and estimates made that would have a material effect in both current and future periods.

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 4 Operating loss

Operating loss is stated after charging:

	2018	2017
	£	£
Foreign exchange losses	4,686	14,187
Hedging losses	-	678,669

The hedge losses recognised in the profit and loss in the prior year were due to the reduction of the cash flow hedges from €32 million to €28 million.

#### 5 Auditor's remuneration

The deemed audit fee for the company was £1,000 (2017: £1,000).

There are no fees paid to PricewaterhouseCoopers LLP for other services other than the statutory audit of the company. The audit fee was borne by another group company.

#### 6 Staff costs

There were no staff employed during the year (2017: nil).

#### 7 Directors' remuneration

No remuneration was paid to the directors of the company during the year (2017: £Nil).

#### 8 Finance income

	2018	2017
	£	£
Interest income from group undertakings	<u>294,969</u>	<u>297,768</u>

#### 9 Finance costs

	2018	2017
	£	£
Interest expense payable to group undertakings	772,924	388,965
Other finance costs	<u>88</u>	<u>-</u>
	<u>773,012</u>	<u>388,965</u>

The notes on pages 12 to 23 form an integral part of these financial statements.

**Costain Alcaidesa Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)**

**10 Income tax**

Tax credited in the profit and loss account

	2018 £	2017 £
<b>Current taxation</b>		
UK corporation tax	(87,422)	(29,005)
UK corporation tax adjustment to prior periods	<u>(128,443)</u>	<u>-</u>
	<u><u>(215,865)</u></u>	<u><u>(29,005)</u></u>

The tax on loss before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Loss before tax	<u>(482,729)</u>	<u>(784,129)</u>
Corporation tax at standard rate	(91,719)	(150,945)
Decrease in current tax from adjustment for prior periods	(128,443)	-
Increase arising from group relief tax reconciliation	<u>4,297</u>	<u>121,940</u>
Total tax credit	<u><u>(215,865)</u></u>	<u><u>(29,005)</u></u>

The rate of corporation tax reduces to 17% with effect from 1 April 2020.

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 11 Investments

	2018 £	2017 £
Investments in subsidiaries	23,443,839	23,443,839
<b>Subsidiaries</b>		<b>£</b>
<b>Cost or valuation</b>		
At 1 January 2017		<u>23,492,498</u>
At 31 December 2017		<u>23,492,498</u>
At 1 January 2018		<u>23,492,498</u>
At 31 December 2018		<u>23,492,498</u>
<b>Provision</b>		
At 1 January 2017		<u>48,659</u>
At 31 December 2017		<u>48,659</u>
At 1 January 2018		<u>48,659</u>
At 31 December 2018		<u>48,659</u>
<b>Carrying amount</b>		
At 31 December 2018		<u><u>23,443,839</u></u>
At 31 December 2017		<u><u>23,443,839</u></u>

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held		Registered office
		2018	2017	
Alcaidesa Holding SA*	Golf Course and Marina Operations	100%	100%	(1)
Alcaidesa Servios SA	Trading	100%	100%	(1)
Alcaidesa Golf SA	Trading	100%	100%	(1)

\* indicates direct investment of the company.

(1) Avda. Pablo Cerezo, s/n, Club de Golf Alcaidesa, 11360 - San Roque-Cádiz, Spain

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 12 Debtors

	<b>31 December 2018</b>	<b>31 December 2017</b>
	£	£
Amounts owed by group undertakings	9,694,337	10,636,668
Group relief receivable	<u>215,865</u>	<u>29,005</u>
	9,910,202	10,665,673
Less non-current portion	<u>(8,535,490)</u>	<u>(9,272,405)</u>
	<u><u>1,374,712</u></u>	<u><u>1,393,268</u></u>

Amounts receivable from other group undertakings is unsecured, repayable on demand but accrues interest at a rate of 0%-3% (2017: 0%-3%).

#### Details of non-current trade and other debtors

£8,535,490 (2017: £9,272,405) of amounts owed by group undertakings is classified as non current.

#### 13 Cash and cash equivalents

	<b>31 December 2018</b>	<b>31 December 2017</b>
	£	£
Cash at bank	<u>638,341</u>	<u>196,497</u>

The Company's bankers have the right to set off the Company's principal pounds sterling bank balances when in credit against borrowings by, a fellow subsidiary of the Costain Group, Richard Costain Limited. In addition, one of the arrangements requires that all cash balances are transferred to Richard Costain Limited on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management. The Company's cash balance is replaced with an inter-company receivable from Richard Costain Limited.

The cash balance of £638,341 (2017: £196,497) represents cash held in the Euro bank account.

#### 14 Trade and other payables

##### Current

	<b>31 December 2018</b>	<b>31 December 2017</b>
	£	£
Accrued expenses	138,613	-
Amounts owed to group undertakings	30,337,412	30,296,189
Other creditors	<u>221,807</u>	<u>521,385</u>
	<u><u>30,697,832</u></u>	<u><u>30,817,574</u></u>

The notes on pages 12 to 23 form an integral part of these financial statements.

## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### 14 Trade and other payables (continued)

Other creditors represents the fair values of outstanding forward currency sales contracts designated as cash flow hedges. The Company's subsidiary, Alcaidesa Holding SA, a company based in Spain, is denominated in euro. The forward sales contracts totalled €28.0 million (£25.0 million) (2017: €28.0 million (£24.6 million)) held as a hedge against the net carrying value of the investment.

Forward currency contracts that hedge forecast transactions are classified as cash flow hedges and stated at fair value based on a Level 2 valuation method, using quoted forward exchange rates. The terms of the foreign currency contracts match the terms of the commitments. There were no ineffective hedges at the year-end (2017: none).

Amounts payable to other group undertakings is unsecured, repayable on demand but accrues interest at a rate of 2.5%-3% (2017: 0%-3%).

#### 15 Called up share capital

##### Allotted, called up and fully paid shares

	31 December 2018		31 December 2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>32,500,000</u>	<u>32,500,000</u>	<u>32,500,000</u>	<u>32,500,000</u>

#### 16 Reserves

##### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (as explained in note 13).

#### 17 Contingent liabilities

The company has entered into cross guarantees together with the ultimate parent company and certain fellow Group undertakings for borrowing facilities made available to the Group. At 31 December 2018 these liabilities amounted to £69.8 million (2017: £70.2 million).

These are also contingent liabilities in respect of guarantees of performance bonds and other undertakings entered into in the ordinary course of business by fellow Group undertakings.



## Costain Alcaidesa Limited

### Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

#### Notes to the Financial Statements (continued)

#### 18 Impact of adoption of new accounting standards

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the company's financial statements.

##### a) IFRS 9 'Financial Instruments' - impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 did not result in adjustments to the amounts recognised in the company's financial statements. Financial assets are held by the company predominantly in order to collect the contractual cash flows. There is no material impact of adopting an expected credit loss model for impairment of financial assets. Hedge transactions undertaken by the company meet the requirements of IFRS 9 and are not impacted by adopting the new standard.

##### b) IFRS 15 'Revenue from Contracts with Customers' - impact of adoption

The adoption of IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018 whilst resulting in some changes in accounting policies did not result in adjustments to the amounts recognised in these financial statements.

#### 19 Parent and ultimate parent undertaking

The company's immediate parent is Costain Engineering & Construction Limited.

The ultimate parent is Costain Group PLC.

The parent of the largest and smallest group producing publicly available financial statements in which these financial statements are consolidated is Costain Group PLC. These financial statements are available upon request from Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB.

The ultimate controlling party is Costain Group PLC.