

**NEWARTHILL LIMITED**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 OCTOBER 2015**



**Registered in England and Wales Number: 1050970**

# NEWARTHILL LIMITED

## DIRECTORS' REPORT

### Directors

The directors who held office during the year and up to the date of this report were as follows:

Ian M McAlpine MA	(resigned 17 December 2015)
The Hon. David M McAlpine	
Cullum McAlpine	
Andrew William McAlpine	(appointed 17 December 2015)
Gavin M McAlpine BA, MSc	(appointed 15 March 2016)
David S Jenkins FCA	(appointed 17 December 2015)
Donald Joyce CA	(appointed 17 December 2015)
Miles C Shelley BA, ACA	(appointed 17 December 2015)

Company Secretary: Kevin J Pearson BSc, ACA

The directors present their annual report together with the audited financial statements of the group for the year ended 31 October 2015.

### Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. More information is provided in note 1 to the financial statements.

### Dividends

There was no interim dividend paid during the year (2014: £nil) and the directors do not recommend the payment of a final dividend (2014: £nil).

### Share Purchase

On 4<sup>th</sup> December 2014, 114,746 Ordinary shares of £1 were purchased by the company for a total consideration of £2,232,957. The price paid was £19.46 per share.

### Employees

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

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

It is also group policy that there should be equal opportunities in the area of employment without discrimination.

### Indemnity Provision

Third party indemnity provisions made by the company were in force during the year for the benefit of the directors of the company and the directors of the company's subsidiaries.

### Risk management and future developments

The group's policy on risk management and details of its future development have been included in the Strategic Report.

## NEWARTHILL LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### Auditor

Each of the persons who is a director 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 auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's 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.

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

Approved by the Board and signed on its behalf by:



Kevin J Pearson B.Sc., ACA  
Company Secretary

Registered Office:  
Eaton Court  
Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 7TR

18 April

2016

# NEWARTHILL LIMITED

## STRATEGIC REPORT

### Principal Activities

Newarthill Limited is a leading building and civil engineering construction group operating primarily within the United Kingdom. It is also involved in property developments, investments and PPP operations.

With over 145 years of experience we recognise that understanding the values and aspirations of our clients, and a commitment to the highest standards of safety, quality and sustainability, are critical to successfully delivering projects.

In line with our strategy, we continue to work across most major market sectors, tailoring our design, construction, technical and management capabilities to meet our clients' varying needs.

### Review of the Business

The loss on ordinary activities before taxation of the group was £35.7m compared with a loss of £67.8m in 2014. Group turnover including share of joint ventures was £834m (2014: £1,064m), which includes £6.2m (2014: £107.8m) of deemed disposal of the completed PPP assets within one of our joint ventures.

During 2014 the group identified a small number of construction contracts which had been tendered and started during the recession where significant costs were being incurred and considerable losses were expected. Although a prudent view of the final outcome of those contracts was made last year, the financial position has deteriorated further as the completion dates have extended by more than expected and costs have consequently also increased. Of these contracts the worst performing have now reached practical completion and most are very close to completion. This, therefore, allows much greater certainty in the financial provisions required for these contracts although it should be noted that no allowance has been made for any recoveries that may be expected in the longer term.

### United Kingdom Construction

As in 2014, the United Kingdom construction market remains highly competitive with some sectors suffering from high cost escalation and a very stretched and limited supply chain particularly in central London. We have found this particularly evident in the 'high end' residential market and, consequently, we have decided that we will no longer enter into fixed-priced contracts in the 'high-end' residential fit-out subsector.

The 2015 results have been disappointing and continue to be highly influenced by a small number of legacy contracts all of which have now reached, or are close to, completion. During late 2014 the group implemented revised risk management and tendering procedures, which we have diligently applied and enhanced. We are pleased to note that these procedures have led to much better performance and margin from contracts that we entered into following the introduction of these new governance procedures. We are confident, therefore, that the construction business will return to profit in 2016.

The business will celebrate its 150 year anniversary in 2019 and the group has approved a new strategy to take it through to that date and beyond. In line with our new vision and values, the strategy is based around growth, diversification and resilience. We intend to increase turnover which will be supported by a growth in the proportion of workload we gain from Frameworks and the Public Sector. We are scrutinising all areas of the business to enhance productivity while maintaining our focus on engineering excellence and first class delivery. As part of the strategy, civil engineering is expected to supply 20% of turnover by the end of 2019 and, to allow for this growth, we have established a separate business unit to deliver civil engineering contracts on a national basis.

Our staff remain our greatest asset and bring high levels of expertise and experience to the business. We continue in our commitment to create an environment in which our staff have the opportunity to enjoy a fulfilling career and achieve their full potential.

We have completed a number of significant projects over the last year including: De Vere Gardens, a large luxury development in Kensington; London Metric's distribution warehouse providing 93,000m<sup>2</sup> storage and 5,000m<sup>2</sup> office space; 1 West Regent Street, comprising Grade A office space and three retail units in Glasgow; The Grande in Aberdeen, headquarters for North Sea oil producer EnQuest; and a further tranche of our Priority Schools Building programme for the EFA (four secondary and two primary schools).

We have won or commenced work on a number of notable projects since our last Strategic Report. In London, we have built on our long history of office developments. We have secured the contract for the new M&G headquarters which Generali is developing, and we are delighted to have been named the single construction delivery partner for British Land's redevelopment of Broadgate. We are also in the pre-construction phase of delivering the new sliding roof for Wimbledon's No. 1 Court, and are building a fast-track 20 acre extension to Pinewood Studios including five new sound studios; both of these projects demonstrate our ability to deliver large or significant projects in a compressed timescale.

Outside of London, business is also developing well. Among a number of key contracts, we have won the work to deliver an additional five secondary schools and two primary schools for the EFA. We have secured three separate projects under our Framework Agreement with the University of Manchester and, as part of our Maggie's framework, are near to completion on the Maggie's Centre at The Christie Hospital also in Manchester. This year, we will also be delivering two significant retail and leisure centres for Hammerson: Victoria Gate in Leeds and West Quay Watermark in Southampton.

We are very positive about our prospects in 2016. We are expecting turnover to increase as we implement our new strategy with continued engagement in the commercial, retail, education and residential sectors and as our new civil engineering business begins its sustained expansion.

### Caribbean Construction

As expected more opportunities are appearing within our Caribbean business with turnover increasing and the business returning to profitability.

### Capital Ventures

With the secondary market for PPP/PFI assets still paying high prices the group has continued to divest some of the projects in its portfolio. We disposed of our equity interest in the Newcastle Schools PPP and 44% of our stake in the Glasgow College PPP during the year which resulted in net cash proceeds of £23.4m and a profit on sale of £11.9m. We also refinanced our two road DBFO's with non-recourse debt, resulting in a cash injection to the group of £72.2m.

The remaining portfolio of PPP assets continues to be actively managed and is performing well.

Our Capital Ventures Business also commenced its first student accommodation development which will provide 347 student rooms in Coventry and our construction business will deliver the completed project in August 2017.

## NEWARTHILL LIMITED

### STRATEGIC REPORT (CONTINUED)

#### Property Development and Investments

Our activity in these sectors remains subdued.

#### Taxation

Due to the loss on ordinary activities before taxation, the group has a tax credit of £11.1m, relating primarily to deferred tax credits.

#### Cash and Borrowings

The group had cash balances of £260.5m (2014: £220.5m) at the year end. Total borrowings were £188.0m (2014: £121.2m) of which £185.7m (2014: £118.9m) represents non-recourse debt in our wholly owned PPP special purpose vehicles.

#### Outlook

The group continues to have substantial cash balances and with only non-recourse borrowing in our PPP SPVs, we are well placed to exploit opportunities both within construction and other investment sectors. With the dedication of our staff and a new strategic direction we expect to see both turnover growth and increasing profit in 2016 and beyond.

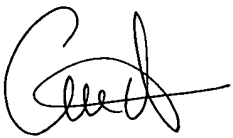
#### Principal Risks and Uncertainties

Management of major contracts and bidding risk: The risks that the group are exposed to depend on the size and complexity of the project together with the legal form of the contract. The development and retention of high quality staff is vital to the success of our business and the effective operation of our risk procedures. The group maintains strong risk based procedures with particular emphasis on the tendering process and change management.

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

Defined Benefit Pension Scheme: The group maintains two defined benefit pension schemes both of which have a deficit for which robust recovery plans are in place – see note 26.

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



Cullum McAlpine  
Director

Registered Office:  
Eaton Court  
Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 7TR

18 April 2016

## **NEWARTHILL LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## NEWARTHILL LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWARTHILL LIMITED

We have audited the Group and Company financial statements of Newarthill Limited for the year ended 31 October 2015 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group note of historical cost profits and losses, the Group and Company balance sheets, the Group cash flow statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all of the financial and non financial information in the Annual Report to identify material inconsistencies within the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we became aware of any apparent material misstatements or inconsistencies we considered the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the parent company's and the group's affairs as at 31 October 2015 and of the loss of the group 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Andrew Clark (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

19 April 2016

# NEWARTHILL LIMITED

## GROUP PROFIT AND LOSS ACCOUNT Year ended 31 October 2015

	Notes	2015 £000	2014 £000
Total turnover including share of joint ventures	2	834,416	1,063,817
Less share of joint ventures' turnover		(28,903)	(200,985)
Group turnover		805,513	862,832
Cost of sales		(848,490)	(938,703)
Gross loss		(42,977)	(75,871)
Administrative expenses		(23,678)	(24,302)
Profit on sale of joint ventures		11,291	3,601
Share of operating profit in joint ventures	4	11,988	13,054
Share of operating profit in associates		91	63
Total operating loss	2, 3	(43,285)	(83,455)
Profit on sale of investments and properties		19,886	28,736
Amounts written off investments		(2,417)	(101)
Loss on ordinary activities before finance (charges)/income		(25,816)	(54,820)
Finance (charges)/income (net)			
Group		1,783	(43)
Joint ventures and associates		(11,702)	(12,977)
	5	(9,919)	(13,020)
Loss on ordinary activities before taxation		(35,735)	(67,840)
Tax on loss on ordinary activities	6	11,162	170
Loss on ordinary activities after taxation		(24,573)	(67,670)
Minority interest	19	-	29
Loss on ordinary activities after taxation and minority interests	21, 22	(24,573)	(67,641)

All turnover and operating losses relate to continuing operations.



## NEWARTHILL LIMITED

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 October 2015

	Note	<u>2015</u> £000	<u>2015</u> £000	<u>2014</u> £000
Loss on ordinary activities after taxation and minority interests			(24,573)	(67,641)
Unrealised surplus on revaluation of investment properties	9	-		535
Unrealised exchange gain on foreign currency net investments		1,550		297
Net actuarial loss on pensions and medical schemes		(12,825)		(8,660)
Deferred tax on net actuarial loss on pensions and medical schemes		2,331		1,179
Other recognised gains and losses relating to the year			(8,944)	(6,649)
Total recognised gains and losses relating to the year			<u>(33,517)</u>	<u>(74,290)</u>

### GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 October 2015

	<u>2015</u> £000	<u>2014</u> £000
Loss on ordinary activities before taxation	(35,735)	(67,840)
Difference between the historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	(94)	(252)
Historical cost loss on ordinary activities before taxation	<u>(35,829)</u>	<u>(68,092)</u>
Historical cost loss for the year after taxation, minority interests and dividends	<u>(24,667)</u>	<u>(67,893)</u>

# NEWARTHILL LIMITED


## BALANCE SHEETS AS AT 31 OCTOBER 2015

		<u>Group</u>		<u>Company</u>	
	Notes	<u>2015</u> £000	<u>2014</u> £000	<u>2015</u> £000	<u>2014</u> £000
<b>FIXED ASSETS</b>					
Intangible assets - goodwill	8	7,697	8,682	-	-
Tangible fixed assets	9	42,753	52,341	-	-
Investments in joint ventures:					
Share of gross assets		143,923	197,904	-	-
Share of gross liabilities		(136,662)	(185,881)	-	-
	10	7,261	12,023	-	-
Investments in associates	11	198	240	-	-
Other fixed asset investments	12	23,792	48,619	132,681	82,743
		<u>81,701</u>	<u>121,905</u>	<u>132,681</u>	<u>82,743</u>
<b>CURRENT ASSETS</b>					
Stocks	13	55,388	57,790	-	-
Debtors - amounts falling due within one year	14	167,932	144,105	68,774	30,031
- amounts falling due after more than one year	14	147,896	133,834	-	-
Cash and deposits	15	260,543	220,489	2,296	7,165
		<u>631,759</u>	<u>556,218</u>	<u>71,070</u>	<u>37,196</u>
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	(281,944)	(278,396)	(169,029)	(83,473)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>349,815</u>	<u>277,822</u>	<u>(97,959)</u>	<u>(46,277)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>431,516</u>	<u>399,727</u>	<u>34,722</u>	<u>36,466</u>
<b>CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	(230,929)	(169,906)	-	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	(62,385)	(67,146)	(6,175)	(1,725)
<b>MINORITY INTEREST</b>	19	220	220	-	-
		<u>(293,094)</u>	<u>(236,832)</u>	<u>(6,175)</u>	<u>(1,725)</u>
<b>NET ASSETS EXCLUDING PENSION AND MEDICAL SCHEME LIABILITIES</b>		<u>138,422</u>	<u>162,895</u>	<u>28,547</u>	<u>34,741</u>
<b>PENSION AND MEDICAL SCHEME LIABILITIES</b>	27	(47,797)	(36,520)	(2,125)	(1,670)
<b>NET ASSETS</b>	2	<u>90,625</u>	<u>126,375</u>	<u>26,422</u>	<u>33,071</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20	7,104	7,219	7,104	7,219
Capital redemption reserve	21	15,171	15,056	15,171	15,056
Revaluation reserve	21	2,329	8,775	-	-
Other reserves	21	5,974	4,424	-	-
Profit and loss account	21	60,047	90,901	4,147	10,796
<b>SHAREHOLDERS' FUNDS</b>	22	<u>90,625</u>	<u>126,375</u>	<u>26,422</u>	<u>33,071</u>

Registered in England and Wales Number: 1050970

These financial statements were approved by the Board of Directors and authorised for issue on 18th April 2016.

They were signed on its behalf by



Cullum McAlpine  
Director

# NEWARTHILL LIMITED

## GROUP CASH FLOW STATEMENT

Year ended 31 October 2015

	Notes	2015 £000	2014 £000
Net cash flow from group operating activities (see below)		(86,205)	(92,202)
Dividends received from joint ventures and associates		3,675	2,292
Returns on investments and servicing of finance	25(a)	270	(1,796)
Taxation		(4,680)	-
Capital expenditure and financial investment	25(a)	50,267	49,555
Acquisitions and disposals	25(a)	11,478	5,045
Cash flow before management of liquid resources and financing		(25,195)	(37,106)
Management of liquid resources	25(b)	9,171	(607)
Financing	25(a)	64,571	(4,880)
Net movement in cash in the year		48,547	(42,593)
Reconciliation of group operating loss to group operating cash flows			
Total operating loss		(43,285)	(83,455)
Less profit on sale of joint ventures		(11,291)	(3,601)
Less share of operating profit in joint ventures and associates		(12,079)	(13,117)
Depreciation charges		5,760	5,712
Amortisation charges		985	984
Pension charges		160	1,039
Profit on sale of fixed assets		(601)	-
Decrease/(increase) in stocks		2,602	(6,509)
(Increase)/decrease in debtors		(26,654)	11,786
Increase/(decrease) in creditors		3,158	(13,261)
(Decrease)/increase in provisions		(4,960)	8,220
Net cash flow from group operating activities		(86,205)	(92,202)
Reconciliation of net cash flow to movement in net funds			
Net movement in cash in the year		48,547	(42,593)
Cash flow from (increase)/decrease in debt and lease financing		(66,804)	4,881
Cash flow from management of liquid resources		(9,171)	607
Changes in net funds resulting from cash flows		(27,428)	(37,105)
Exchange movements		678	127
Movement in net funds in the year		(26,750)	(36,978)
Net funds at the start of the year		99,292	136,270
Net funds at the end of the year	25(b)	72,542	99,292

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 1. ACCOUNTING POLICIES

The group's financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The accounting policies as adopted by the directors and which are described below, have been applied consistently throughout the current and preceding financial years.

#### **Accounting conventions**

The group's financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investment properties.

#### **Going concern**

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the group is set out in the group balance sheet and the accompanying notes to the financial statements. The group's cash and borrowings positions are set out in the Strategic Report and notes 15, 23 and 25 to the financial statements. A description of the group's management of interest rate risk and treasury risk are also set out in the Strategic Report.

The group has considerable financial resources and carries no significant debt other than non-recourse borrowing in project companies. The core construction operations of the group are characterised by long-term contracts and the level of activity in relation to these contracts is secure into the foreseeable future. As a consequence, the directors believe that the group will be able to manage its business risks successfully.

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

#### **Basis of consolidation**

The group's financial statements incorporate the assets and liabilities of all subsidiaries as at 31 October 2015 and their results for the year ended on that date, other than where the group does not exert control over the distribution of profits (see note 12).

On acquisition, the fair value of the net assets purchased is assessed. The difference between the price paid for new interests and the fair value of the net assets acquired is capitalised as goodwill and amortised over its useful economic life, not exceeding 20 years.

Goodwill arising on acquisitions completed prior to 1 January 1998 (the date on which the requirements of Financial Reporting Standard No. 10, Goodwill and Intangible Assets, came into effect) was either written off directly to reserves or capitalised and amortised to the profit and loss account over its useful economic life.

The group's cumulative share of post acquisition reserves in joint ventures has been taken from the most recent audited financial statements of the companies concerned and where the audited financial statements are non-coterminous and cover a year ended before 31 October 2015, from subsequent unaudited management accounts and include adjustments to reflect group accounting policies. Joint ventures are those companies in which the group has a participating interest and exercises joint control over their management.

#### **Joint arrangements**

In accordance with Financial Reporting Standard No. 9, Associates and Joint Ventures (which requires departure from the Companies Act 2006), the group accounts for its joint arrangements by taking its share of the profit and loss account, assets, liabilities and cash flows on a proportionate consolidation basis.

#### **Joint ventures**

Shares in joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the group's share of pre-tax profits/(losses) and attributable taxation of the joint ventures based on the financial statements and latest management accounts.

In the consolidated balance sheet, the investments in joint ventures are shown as the group's share of gross assets and gross liabilities.

#### **Associates**

Associates are accounted for using the equity method. The consolidated profit and loss account includes the group's share of the associate's profits less losses while the group's share of net assets is shown within the consolidated balance sheet.

#### **Accounting for PPP contracts**

Under Financial Reporting Standard No. 5, Reporting the Substance of Transactions, where a finance debtor is recognised, the debtor is repaid over the life of the concession and revenue is apportioned between a deemed interest income and turnover. This deemed interest income is based upon the value of the finance debt outstanding and is included within turnover and operating profit, although disclosed separately.

Turnover in relation to life cycle costs is recognised in proportion to the costs incurred and expected to be incurred over the contract period.

#### **Foreign currencies**

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

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

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Turnover

Turnover represents the value of work carried out and services supplied to clients of the group during the year including the group's share of turnover in joint ventures and gross property income. Construction turnover includes variations in contract work where the variations have been certified and includes claims where the claims have been paid. Profit is recognised on long-term contracts when the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

#### Cost of sales

Included within cost of sales are provisions against future losses.

#### Investment properties

Investment properties are revalued annually and no depreciation is provided. Any fall in value below original cost which is expected to be permanent is taken to the profit and loss account. Increases in value up to the original cost are taken to the profit and loss account and increases above original cost are taken to the revaluation reserve.

The Companies Act 2006 requires all properties to be depreciated. However, the requirements conflict with the generally accepted accounting principle set out in SSAP 19, Accounting for Investment Properties. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot be reasonably quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### Tangible fixed assets

Tangible fixed assets are stated at cost or at valuation (as at the date of the implementation of Financial Reporting Standard No. 15, Measurement of Tangible Fixed Assets) net of depreciation and less any provision for impairment.

#### Depreciation

Plant and equipment are depreciated over their estimated useful economic lives at declining rates based on their written down values or on a straight line basis. The rates vary between 5% and 60% per annum.

Buildings occupied for trading purposes are written off on a reducing balance basis at rates of either 5% or 10% per annum. Leases are written off in equal annual instalments over the remainder of the lease. No depreciation is provided on investment properties and freehold land.

#### Investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

#### Stocks

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

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

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

#### Amounts recoverable on contracts

This represents the amounts due on contracts in accordance with SSAP 9, Stocks and Long-term Contracts.

#### Bank loans

Loans are recorded net of direct issue costs which are written off to the profit and loss account over the life of the debt.

#### Operating leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the life of the lease.

## **NEWARTHILL LIMITED**

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **Financial instruments**

Subsidiaries and joint ventures use derivative financial instruments to reduce exposure to RPI and interest rates movements. They do not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contract.

##### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Financial Reporting Standard No. 19, Deferred Tax, requires full provision for timing differences which have originated at the balance sheet date and which could give rise to an obligation to pay more or less tax in the future. The standard requires that deferred tax is not recognised in respect of gains and losses on revalued assets unless the company has entered into a binding agreement to sell the assets and the gains or losses have been recognised in the profit and loss account. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### **Retirement benefits**

The expected costs to the group of pensions in respect of defined benefit pension schemes and post-retirement healthcare (Notes 26 - 28) are charged each year to the profit and loss account so as to spread the cost of pensions and post-retirement healthcare over the service lives of employees in the schemes. These schemes are accounted for in accordance with Finance Reporting Standard No. 17, Retirement Benefits.

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 2. SEGMENTAL ANALYSIS

	Turnover		Operating (loss)/profit	
	2015 £000	2014 £000	2015 £000	2014 £000
Turnover and operating (loss)/profit				
<u>Business segment:</u>				
Contracting	745,538	819,386	(75,343)	(108,014)
Property	13,625	5,179	5,234	2,728
Property - joint ventures and associates	15,846	7,457	1,165	(467)
PPP concessions	46,350	38,267	11,559	9,673
PPP concessions - joint ventures	13,057	193,528	14,100	12,625
	<u>834,416</u>	<u>1,063,817</u>	<u>(43,285)</u>	<u>(83,455)</u>
<u>Geographical segment (by origin):</u>				
United Kingdom	779,504	831,490	(73,608)	(88,338)
United Kingdom - joint ventures and associates	16,595	16,947	7,217	8,881
USA and Caribbean	26,009	31,342	15,058	(7,275)
USA and Caribbean - joint ventures	7,759	179,956	7,765	3,633
Europe and Asia - joint ventures	4,549	4,082	283	(356)
	<u>834,416</u>	<u>1,063,817</u>	<u>(43,285)</u>	<u>(83,455)</u>

All segments relate to continuing operations. The operating (loss)/profit and the net assets analyses are shown after the allocation of overheads to the individual segments. Turnover by destination is not materially different from turnover by origin.

Included within PPP concessions turnover and operating profit is £12,637,000 (2014: £13,066,000) of PPP deemed interest and included within PPP concessions - joint ventures' turnover and operating profit is £13,973,000 (2014: £12,272,000) of PPP deemed interest. All PPP deemed interest is generated within the United Kingdom – other than £4,198,000 (2014: £4,724,000) which is generated in Bermuda.

	2015 £000	2014 £000		2015 £000	2014 £000
<u>Net assets</u>					
<u>Business segment:</u>			<u>Geographical segment:</u>		
Contracting	(177,236)	(150,368)	United Kingdom	(173,869)	(98,554)
Property	72,563	84,747	United Kingdom - joint ventures	(14,509)	(19,909)
Property - joint ventures and associates	(10,255)	(9,382)	and associates		
PPP concessions	(72,777)	(57,546)	USA and Caribbean	24	(14,005)
PPP concessions - joint ventures	(7,750)	(7,399)	USA and Caribbean - joint ventures	(547)	(1,069)
			Europe and Asia - joint ventures	(6,554)	(6,411)
	<u>(195,455)</u>	<u>(139,948)</u>		<u>(195,455)</u>	<u>(139,948)</u>
Investments	23,792	48,619	Investments	23,792	48,619
Taxation	1,745	(2,785)	Taxation	1,745	(2,785)
Net cash and short term deposits	260,543	220,489	Net cash and short term deposits	260,543	220,489
	<u>90,625</u>	<u>126,375</u>		<u>90,625</u>	<u>126,375</u>

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 3. TOTAL OPERATING LOSS

	<u>2015</u> £000	<u>2014</u> £000
Total operating loss is stated after charging/(crediting):		
Depreciation - owned assets	5,760	5,710
- leased assets	-	2
Amortisation of goodwill	985	984
Operating leases	3,466	3,568
Payments to defined contribution pension schemes (see note 26)	2,948	2,873
Profit on disposal of fixed assets	601	-
Plant hire and leasing	8,073	9,145
Fees payable to the company's auditor for the audit of the company's annual accounts	20	20
Fees payable to the company's auditor and their associates for the audit of the company's subsidiaries pursuant to legislation - current year	244	206
- prior year	-	14
Total audit fees	<u>264</u>	<u>240</u>
Other services pursuant to legislation		
Other consultancy	-	4
Total non-audit fees	<u>-</u>	<u>4</u>
Fees payable to the company's auditor in respect of the audit of the associated pension schemes	<u>28</u>	<u>28</u>

### 4. SHARE OF OPERATING PROFIT IN JOINT VENTURES

	<u>2015</u> £000	<u>2014</u> £000
Operating (loss)/profit	(1,984)	782
PPP deemed interest	13,972	12,272
	<u>11,988</u>	<u>13,054</u>

### 5. FINANCE (CHARGES)/INCOME (NET)

	<u>2015</u> £000	<u>2014</u> £000
Interest receivable and similar income:		
Income from listed investments	430	961
Income from unlisted investments	1,921	2,503
Interest receivable and similar income	6,805	4,613
Share of interest receivable by joint ventures	107	108
	<u>9,263</u>	<u>8,185</u>
Interest payable and similar charges:		
Bank loans and overdrafts	(6,434)	(6,995)
Other loans	(189)	(1,362)
Share of interest payable by joint ventures and associate	(11,809)	(13,040)
	<u>(18,432)</u>	<u>(21,397)</u>
Other finance charges - pension and post retirement medical schemes	(750)	192
	<u>(9,919)</u>	<u>(13,020)</u>



# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

	<u>2015</u> £000	<u>2014</u> £000
Charge on the loss for the year:		
Current year:		
United Kingdom Corporation Tax	144	219
Overseas taxation	2	9
Group's share of taxation of joint ventures	566	445
Group's share of taxation of associates	14	11
Total current year tax	<u>726</u>	<u>684</u>
Prior year:		
United Kingdom Corporation tax	-	476
Group's share of taxation of joint ventures	-	294
Total prior year tax	<u>-</u>	<u>770</u>
	<u>726</u>	<u>1,454</u>
Deferred tax:		
Origination and reversal of timing differences	(11,242)	(1,520)
Group's share of joint ventures - origination and reversal of timing differences	(646)	(104)
	<u>(11,888)</u>	<u>(1,624)</u>
	<u>(11,162)</u>	<u>(170)</u>
Factors affecting the tax charge for the current year:		
	<u>2015</u> £000	<u>2014</u> £000
Loss on ordinary activities before taxation	(35,735)	(67,840)
United Kingdom Corporation Tax at 20.41% (2014: 21.83%)	(7,294)	(14,809)
Disallowable expenditure	841	4,491
Non-taxable income	(2,150)	(7,708)
Depreciation in excess of capital allowances	789	814
Overseas taxation - differences in tax rates	(341)	210
Effect of changing tax rates	-	(452)
Utilisation of tax losses	(1,298)	(128)
Effects of other tax credits	-	218
Utilisation of capital losses	(3,853)	-
Losses carried forward	13,205	23,177
Prior year adjustments	-	476
Other timing differences	827	(4,835)
	<u>726</u>	<u>1,454</u>

Deferred tax assets have been recognised in respect of available tax losses and timing differences relating to depreciation in excess of capital allowances and are shown in note 14 and included within Debtors: Amounts falling due within one year and Debtors: Amounts falling due after more than one year. Additional deferred tax assets not recognised amount to £25,027,000 (2014: £24,249,000). These assets will be recovered if there are sufficient taxable profits in future years.

The unprovided deferred tax asset is analysed as follows:

<u>Group</u>	<u>2015</u> £000	<u>2014</u> £000
Losses	21,464	21,626
Depreciation in excess of capital allowances	2,442	1,960
Short term timing differences	1,121	663
	<u>25,027</u>	<u>24,249</u>

There were no unrecognised deferred tax liabilities in relation to the group (2014: £nil) and the company (2014: £nil).

The United Kingdom corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015. The enacted rate will reduce again from 20% to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. It has since been announced that the rate would reduce to 17% from 1 April 2020. This reduction has not been substantively enacted by the balance sheet date and so is not reflected in the financial statements.

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	<u>2015</u> £000	<u>2014</u> £000
Staff costs including directors' emoluments:		
Wages and salaries	112,516	111,793
Social security costs	12,371	12,104
Other pension costs	6,102	7,383
	<u>130,989</u>	<u>131,280</u>

	<u>2015</u> No.	<u>2014</u> No.
Average number employed during the year including directors	<u>2,124</u>	<u>2,219</u>

	<u>2015</u> £000	<u>2014</u> £000
Directors:		
Aggregate emoluments of the directors of the company:		
Salaries and taxable benefits	<u>825</u>	<u>821</u>

	<u>2015</u>	<u>2014</u>
Emoluments of the highest paid director were as follows:		
Aggregate emoluments excluding pension contributions	<u>£283,480</u>	<u>£281,762</u>

There were no retirement benefits accruing to directors under defined benefit schemes (2014: nil).

There was no pension benefits accruing to the highest paid director (2014: £nil).

### 8. INTANGIBLE FIXED ASSETS - GOODWILL

<u>Group</u>	<u>Net Book</u> <u>Value</u> £000	<u>Goodwill</u> £000	<u>Amortisation</u> £000
As at 1 November 2014	8,682	19,585	(10,903)
Amortisation charge in the year	(985)	-	(985)
As at 31 October 2015	<u>7,697</u>	<u>19,585</u>	<u>(11,888)</u>

Goodwill is amortised over the expected useful economic lives which range from 10 to 20 years.

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 9. TANGIBLE FIXED ASSETS

#### Group

	<u>Total</u> £000	<u>Investment</u> <u>properties</u> £000	<u>Land and</u> <u>buildings</u> £000	<u>Other</u> <u>plant and</u> <u>equipment</u> £000
Cost or valuation				
As at 1 November 2014	102,206	21,455	26,514	54,237
Exchange rate adjustment	340	-	105	235
Additions	10,856	4,548	-	6,308
Disposals	(17,056)	(14,285)	(223)	(2,548)
As at 31 October 2015	<u>96,346</u>	<u>11,718</u>	<u>26,396</u>	<u>58,232</u>
Depreciation				
As at 1 November 2014	49,865	-	9,527	40,338
Exchange rate adjustment	214	-	34	180
Charge for the year	5,760	-	845	4,915
Disposals	(2,246)	-	(41)	(2,205)
As at 31 October 2015	<u>53,593</u>	<u>-</u>	<u>10,365</u>	<u>43,228</u>
Net book value as at 31 October 2015	<u>42,753</u>	<u>11,718</u>	<u>16,031</u>	<u>15,004</u>
Net book value as at 31 October 2014	<u>52,341</u>	<u>21,455</u>	<u>16,987</u>	<u>13,899</u>
At cost	31,035	-	16,031	15,004
At valuation	11,718	11,718	-	-
	<u>42,753</u>	<u>11,718</u>	<u>16,031</u>	<u>15,004</u>
Comparable historical costs	93,871	9,242	26,397	58,232
Comparable historical depreciation	26,610	1,241	10,365	15,004

All of the land and buildings comprises of freehold properties.

The wholly owned investment properties, which are all situated in the United Kingdom, were revalued by the directors based upon internal recommendations made by qualified Chartered Surveyors and based on market values. This resulted in no movement during the year (2014: net surplus of £570,000, of which £535,000 was taken to the Revaluation Reserve).

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 10. INVESTMENTS IN JOINT VENTURES

<u>Group</u>	<u>Total</u> <u>£000</u>	<u>Share of Net</u> <u>Assets/(Liabilities)</u> <u>£000</u>	<u>Joint Venture</u> <u>Loans</u> <u>£000</u>
Cost and net book value			
As at 1 November 2014	12,023	(10,225)	22,248
Exchange rate adjustment	(33)	(45)	12
Movement on reserves	(3,285)	(3,285)	-
Disposal	(187)	4,569	(4,756)
Increase in loans	299	-	299
Repayment of loans	(1,556)	-	(1,556)
As at 31 October 2015	<u>7,261</u>	<u>(8,986)</u>	<u>16,247</u>
Made up from:			
Shares		17,036	
Share of post acquisition reserves		(26,022)	
		<u>(8,986)</u>	

The gross assets and liabilities are as follows:

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
Fixed assets	16,882	17,610
Current assets	127,041	180,294
Liabilities due within one year	(24,462)	(10,016)
Liabilities due after more than one year	(112,200)	(175,865)
	<u>7,261</u>	<u>12,023</u>

A list of the principal joint ventures is included in note 32c.

### 11. INVESTMENTS IN ASSOCIATES

	<u>Total</u> <u>£000</u>	<u>Share of Net</u> <u>Assets</u> <u>£000</u>	<u>Associate</u> <u>Loans</u> <u>£000</u>
As at 1 November 2014	240	89	151
Share of retained profits	54	54	-
Repayment of loans	(96)	-	(96)
As at 31 October 2015	<u>198</u>	<u>143</u>	<u>55</u>

The investment consists of a 20% holding in Walton Wagner Limited.

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 12. OTHER FIXED ASSET INVESTMENTS

<u>Group</u>	<u>Total</u> £000	<u>Listed and Unlisted Securities</u> £000	<u>Other Loans</u> £000
Cost			
As at 1 November 2014	51,431	24,505	26,926
Additions	288	-	288
Disposals	(25,682)	(15,691)	(9,991)
As at 31 October 2015	26,037	8,814	17,223
Provisions			
As at 1 November 2014	2,812	2,483	329
Charged to the profit and loss account	354	239	115
Disposals	(921)	(477)	(444)
As at 31 October 2015	2,245	2,245	-
Net book value as at 31 October 2015	23,792	6,569	17,223
Net book value as at 31 October 2014	48,619	22,022	26,597
Valuation of listed securities:		<u>2015</u> £000	<u>2014</u> £000
Net book value		-	15,212
Market value		-	24,554

No tax is expected to arise should these investments be disposed of due to surplus capital losses within the group.

Included within Listed and Unlisted Securities is an equity investment of £500 (2014: £900) in Glasgow Learning Quarter (Holdings) Limited which represents 50% (2014: 90%) of the total equity. The accounts of this company are excluded from being consolidated into the group accounts as the group does not exert any control over the distribution of its profits.

#### Company

Shares in subsidiary companies	£000
Cost	
As at 1 November 2014	85,008
Additions	50,000
As at 31 October 2015	135,008
Provisions	
As at 1 November 2014	2,265
Charged to the profit and loss account	62
	2,327
Net book value as at 31 October 2015	132,681
Net book value as at 31 October 2014	82,743

Details of all subsidiaries are shown in note 32a.

### 13. STOCKS

<u>Group</u>	<u>2015</u> £000	<u>2014</u> £000
Materials and consumables	668	773
Properties held for development and sale	51,056	53,664
Long-term contract balances	3,664	3,353
	55,388	57,790

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 14. DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	£000	£000	£000	£000
Amounts falling due within one year:				
Finance debtor	3,269	2,944	-	-
Amounts recoverable on contracts	117,919	111,005	-	-
Trade debtors	3,535	5,093	-	-
Amounts owed by group undertakings	-	-	66,808	29,861
Amounts owed by joint ventures	-	-	-	-
Amounts owed by joint arrangements	4,354	1,643	-	-
Other debtors	24,037	11,158	14	5
Taxation	1,802	4,656	1,919	-
Deferred tax asset	2,560	-	-	-
Prepayments and accrued income	10,456	7,606	33	165
	<u>167,932</u>	<u>144,105</u>	<u>68,774</u>	<u>30,031</u>
Amounts falling due after more than one year:				
Finance debtor	112,862	116,132	-	-
Amounts recoverable on contracts	23,031	14,269	-	-
Other debtors	1,173	1,357	-	-
Deferred tax asset	10,830	2,076	-	-
	<u>147,896</u>	<u>133,834</u>	<u>-</u>	<u>-</u>

At 31 October 2015, a deferred tax asset due within one year of £2,560,000 (2014: £Nil) was recognised in relation to losses and an asset of £10,830,000 (2014: £2,076,000) was due after more than one year in relation to losses (2015: £8,473,000, 2014: £Nil) and short term timing differences (2015: £2,357,000, 2014: £2,076,000).

Amounts owed by group undertakings are interest free and repayable on demand.

### 15. CASH AND DEPOSITS

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	£000	£000	£000	£000
Short term deposits	84,063	92,982	-	-
Cash at bank and in hand	176,480	127,507	2,296	7,165
	<u>260,543</u>	<u>220,489</u>	<u>2,296</u>	<u>7,165</u>

Within the group figures for short term deposits is £75.5m (2014: £84.8m) and cash at bank and in hand is £8.1m (2014: £6.1m) held under terms which are currently restricted. These are held primarily by PPP Special Purpose Vehicles (2014: PPP Special Purpose Vehicles).

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	£000	£000	£000	£000
Loans (see Note 23)	9,649	9,259	-	-
Payments on account	-	16,571	-	-
Trade creditors	194,634	210,982	-	-
Amounts owed to group undertakings	-	-	168,928	80,036
Corporation tax	-	5,002	-	3,314
Other taxation and social security	6,957	4,096	-	-
Other creditors	10,094	1,483	-	-
Accruals	26,075	19,458	101	123
Deferred income	34,535	11,545	-	-
	<u>281,944</u>	<u>278,396</u>	<u>169,029</u>	<u>83,473</u>

Amounts owed to group undertakings are interest free and repayable on demand.

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

#### Group

	<u>2015</u> £000	<u>2014</u> £000
Loans (see Note 23)	178,352	111,938
Trade creditors	18,725	7,663
Accruals	1,198	1,198
Deferred income	32,654	49,107
	<u>230,929</u>	<u>169,906</u>

### 18. PROVISIONS FOR LIABILITIES AND CHARGES

#### Group

	<u>Total</u> £000	<u>Deferred</u> <u>taxation</u> £000	<u>Other</u> <u>provisions</u> £000
As at 1 November 2014	67,146	8,766	58,380
Charged to the profit and loss account	23,101	199	22,902
Utilised during the year	(27,862)	-	(27,862)
As at 31 October 2015	<u>62,385</u>	<u>8,965</u>	<u>53,420</u>
Deferred taxation is in respect of:			
Depreciation in excess of capital allowances		169	
Short term timing differences		8,796	
		<u>8,965</u>	

#### Company

	<u>Other</u> <u>provisions</u> £000
As at 1 November 2014	1,725
Charged to the profit and loss account	5,250
Utilised during the year	(800)
As at 31 October 2015	<u>6,175</u>

Other provisions relate to expected future losses on incomplete contracts, life cycle costs and compensation arrangements.

It is impracticable to estimate the timing of the utilisation of deferred tax, future losses or life cycle costs or the compensation arrangements. All amounts included within provisions have not been discounted.

### 19. MINORITY INTEREST

	£000
Group	
As at 1 November 2014	220
Credited to the profit and loss account	-
As at 31 October 2015	<u>220</u>

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 20. CALLED UP SHARE CAPITAL

#### Group and Company

	2015 £000	2014 £000
Allotted, called up and fully paid:		
7,103,209 Ordinary shares of £1 each (2014: 7,217,955)	7,103	7,218
7,217,955 A Ordinary shares of £0.0001 each (2014: Nil)	1	1
	<u>7,104</u>	<u>7,219</u>

On 4<sup>th</sup> December 2014, 114,746 Ordinary shares of £1 were purchased by the company for a total consideration of £2,232,957. The price paid was £19.46 per share.

The holders of the Ordinary and A Ordinary shares are entitled to dividends in proportion to the number of shares they hold. Dividends per share class do not have to be paid in equal measure. The A Ordinary shares do not carry any voting rights.

### 21. RESERVES

#### Group

	Total £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
As at 1 November 2014	119,156	15,056	8,775	4,424	90,901
Loss on ordinary activities after taxation and minority interests	(24,573)	-	-	-	(24,573)
Transfer upon disposal	-	-	(6,446)	-	6,446
Unrealised exchange gain on foreign currency net investments	1,550	-	-	1,550	-
Actuarial gains and losses on pension schemes and post-retirement medical scheme, net of deferred tax	(10,494)	-	-	-	(10,494)
Purchase of own shares	(2,118)	115	-	-	(2,233)
As at 31 October 2015	<u>83,521</u>	<u>15,171</u>	<u>2,329</u>	<u>5,974</u>	<u>60,047</u>

#### Company

	Total £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
As at 1 November 2014	25,852	15,056	-	-	10,796
Loss on ordinary activities after taxation	(3,719)	-	-	-	(3,719)
Actuarial gains and losses on pension scheme, net of deferred tax	(697)	-	-	-	(697)
Purchase of own shares	(2,118)	115	-	-	(2,233)
As at 31 October 2015	<u>19,318</u>	<u>15,171</u>	<u>-</u>	<u>-</u>	<u>4,147</u>

The revaluation reserve comprises surpluses arising on the revaluation of investment properties which if realised at their revalued amounts would not give rise to a taxation liability due to available capital losses (2014: £nil).

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

As permitted by Section 408(3) of the Companies Act 2006 no profit and loss account of the parent company is presented. The loss on ordinary activities after taxation of the company for the year was £3,719,000 (2014: £8,722,000).

Retained loss for the year is made up as follows:

	2015 £000	2014 £000
Parent company	(3,719)	(8,722)
Subsidiaries and joint arrangements	(17,624)	(58,413)
Joint ventures and associates	(3,230)	(506)
	<u>(24,573)</u>	<u>(67,641)</u>



# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<u>Group</u>	<u>2015</u> £000	<u>2014</u> £000
Loss on ordinary activities after taxation and minority interests	(24,573)	(67,641)
Other recognised gains and losses relating to the year	(8,944)	(6,649)
Share (purchase)/issue (see note 20)	(2,233)	1
Net decrease in shareholders' funds	(35,750)	(74,289)
Opening shareholders' funds	126,375	200,664
Closing shareholders' funds	90,625	126,375

### 23. LOANS

<u>Group</u>	<u>2015</u> £000	<u>2014</u> £000
Repayments of all loans falling due:		
Within one year	9,649	9,259
Between one and two years	6,021	5,581
Between two and five years	25,924	18,645
In five years or more	146,407	87,712
	188,001	121,197

The above figures are net of the direct issue costs relating to the loans as required under Financial Reporting Standard No. 25, Financial Instruments.

The following table provides details of loans not wholly repayable within five years.

Repayable by	Interest	Security	<u>2015</u> £000	<u>2014</u> £000
2024	0.9% above LIBOR plus MLA costs	Assets of Autolink Concessionaires (A19) Limited	11,077	11,965
2024	6.748%	Assets of Autolink Concessionaires (A19) Limited	30,416	32,806
2032	0.95% above LIBOR plus MLA costs. The margin varies but will not exceed 0.95%	Assets of Pinnacle Schools (Gateshead) Limited	40,323	42,236
2037	0.6% above LIBOR plus Reserve asset costs	Assets of SRM (Redcar & Cleveland) Limited	31,724	31,926
2037	4% plus annual RPI	Assets of Sir Robert McAlpine Road Holdings Limited	72,200	-
			185,740	118,933

All repayments are by non-equal instalments.

### 24. RELATED PARTY TRANSACTIONS

The following disclosures are required under Financial Reporting Standard No. 8, Related Party Disclosures.

There were transactions in respect of construction and other contracts on normal commercial terms with the following related parties.

	<u>2015</u> £m	<u>2014</u> £m
Joint arrangements	14.3	14.3
Joint ventures	6.6	28.2
Unlisted investments	78.7	32.2

The joint venture transactions noted above include those for the Paget Health Services Limited, of which the group owns 58% (see Note 32c). The Sir Robert McAlpine Limited Staff Pension Scheme also owns 28% of the equity and the remaining 14% is owned by an overseas company in which a number of directors have an interest.

At the year end, BCM McAlpine Limited owed the group £50.8m (2014: £59.2m). During the year the group reversed a provision of £8.9m (2014: provided £34.5m) against this balance.

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 24. RELATED PARTY TRANSACTIONS (CONTINUED)

At the year end, £0.6m (2014: £0.6m) was due from Oak Court Estates (Langstone, Mon.) Limited, a 60% owned subsidiary and included within Debtors: due within one year. The loan has an interest rate of 2% above the Bank of England base rate until 31 January 2015 and £4,000 (2014: £13,000) of interest was recognised and capitalised in the year. During the year, a management fee of £nil (2014: £50,000) was received from Oak Court Estates (Langstone, Mon.) Limited.

Included within Debtors: due within one year was £3.7m (2014: £3.7m) owing from McAulay Tudor House Limited. In addition, included within Other fixed asset investments were balances of £12.4m (2014: £12.4m) owing from McAulay (Market Buildings) Limited and £1.2m (2014: £1.2m) owing from McAulay Tudor House Limited. A provision has been made against the investment in McAulay (Market Buildings) Limited for £2.2m (2014: £2.0m). A number of directors have an interest in both of these companies.

Included within turnover were management fees of £0.4m (2014: £0.1m) received from various joint ventures, of which £nil (2014: £nil) was outstanding at the year end.

Details of the group's principal joint ventures are set out in note 32c. Investments in and loans to joint ventures are set out in note 10 and amounts due to or from joint ventures are shown in notes 14 and 16.

During the previous year the group sold a property to Knott Park One LLP for £0.3m. Following the disposal of the property by Knott Park One LLP a further profit of £0.9m was taken by the group in 2014. No balance was outstanding at the year end (2014: £nil). A number of the directors have an interest in this entity.

#### Ultimate Controlling Party

The ultimate controlling party of the company is The McAlpine Partnership Trust, of which certain of the trustees are directors of the company.

### 25. CASH FLOW STATEMENT

#### a. Analysis of cash flows

	2015 £000	2014 £000
<u>Returns on investments and servicing of finance</u>		
Interest received	6,893	6,578
Interest paid	(6,623)	(8,374)
Net cash flow from returns on investments and servicing of finance	270	(1,796)
<u>Capital expenditure and financial investment</u>		
Purchase of tangible fixed assets	(10,856)	(5,643)
Receipts from sale of tangible fixed assets	24,074	3,163
Purchase of investments	(288)	(633)
Receipts from sale of investments	35,984	49,472
Payment of loans to joint ventures	(299)	(1,166)
Repayment of loans by joint ventures	1,556	4,362
Repayment of loans by associates	96	-
Net cash flow from capital expenditure and financial investment	50,267	49,555
<u>Acquisitions and disposals</u>		
Receipts from disposal of joint ventures	11,478	5,045
Net cash flow from acquisitions and disposals	11,478	5,045
<u>Financing</u>		
Repayment of loans	(5,250)	(4,881)
New loans	72,054	-
Issue of own shares	-	1
Purchase of own shares	(2,233)	-
Net cash flow from financing	64,571	(4,880)

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 25. CASH FLOW STATEMENT (CONTINUED)

#### b. Analysis of net funds

	<u>As at</u> <u>1 Nov</u> <u>2014</u> £000	<u>Cash</u> <u>flow</u> £000	<u>Non-</u> <u>cash flow</u> <u>movements</u> £000	<u>Exchange</u> <u>movements</u> £000	<u>As at</u> <u>31 Oct</u> <u>2015</u> £000
Cash at bank and in hand	127,507	48,547	-	426	176,480
Loans due after one year	(111,938)	(72,054)	5,640	-	(178,352)
Loans due within one year	(9,259)	5,250	(5,640)	-	(9,649)
	<u>6,310</u>	<u>(18,257)</u>	<u>-</u>	<u>426</u>	<u>(11,521)</u>
Short term deposits	92,982	(9,171)	-	252	84,063
Total	<u>99,292</u>	<u>(27,428)</u>	<u>-</u>	<u>678</u>	<u>72,542</u>

### 26. RETIREMENT BENEFITS

The group operates two defined benefit pension schemes - a group scheme and an executive scheme. Benefits are based upon final pensionable pay, although for the group scheme there are caps on any annual increases which are dependent upon the level of contributions made. The assets of both schemes are held separately from those of the group. The pension costs relating to the schemes are assessed in accordance with the advice of an external, qualified actuary using the projected unit method. Actual contributions made to the group scheme were £4,790,000 (2014: £5,461,000) and to the executive scheme were £532,000 (2014: £560,000).

The latest actuarial valuation of the group scheme was at 31 October 2012. 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. It was assumed that the pre-retirement investment return would exceed the rate of salary increases by 2.8% per annum and that the post-retirement investment return would exceed these rates by 2.8%. At the date of the latest actuarial valuation, the market value of the scheme's investments amounted to £338.7m and the actuarial value of these investments was sufficient to cover 93% of the benefits that had accrued to members. The scheme has been closed to new entrants and under the projected unit method, the current service cost will increase as the members of the scheme approach retirement. The executive scheme covers the pensions of a number of directors and senior employees.

In addition to the defined benefit schemes noted above, the group operates two defined contribution schemes where employee contributions are matched by company contributions. During the year, the cost was £2.9m (2014: £2.9m). All costs were expensed as incurred and there were no amounts outstanding, by way of either amounts owing or commitments, at the year end (2014: £nil).

### 27. PENSION AND MEDICAL SCHEME LIABILITIES

The retirement benefit schemes and the post-retirement medical benefits are described in notes 26 and 28. The actuarial valuation described has been updated at 31 October 2015 by a qualified actuary using revised assumptions that are consistent with the requirements of Financial Reporting Standard No. 17, Retirement Benefits. Investments have been valued at fair value. The contribution rates were 8% or 15% of pensionable earnings with the 8% including a cap on the annual increases applied to the pensionable earnings. These rates will continue into 2016.

Where a surplus or deficit arises on the group scheme, the company and members either benefit from or pay for this in equal proportions. Therefore, as disclosed below, the group accounts for its 50% share of the overall pension scheme deficit. A triennial funding valuation fell at 31 October 2015 and is still in the process of preparation at the date of approval of the group accounts. This is likely to show an increase in the funding deficit compared to the last valuation at 31 October 2012. Following finalisation of the funding valuation, a revised Recovery Plan and Schedule of Contributions will be agreed between the company and the Trustees. In the event that there is a change in the allocation of contributions between the company and members, the group will reappraise the share of pension deficit recognised at the time the revised Schedule of Contributions is approved.

The group scheme includes some employees who are employed within the Renewable Energy Systems Holdings Limited group which was demerged from the Newarthill Limited group in 2009. These employees remain as active members of the pension scheme following the demerger. The figures below represent the assets and liabilities of the scheme as a whole. Due to the small percentage of members employed by the Renewable Energy Systems Holdings Limited group compared to those who remain within the Newarthill Limited group, it is considered more appropriate for the Newarthill Limited group to incorporate the entire group pension scheme rather than separate the assets and liabilities between the two entities.

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 27. PENSION AND MEDICAL SCHEME LIABILITIES (CONTINUED)

#### Actuarial Assumptions

Group and Company	Medical Benefits		Pension Schemes	
	2015	2014	2015	2014
Rate of increase of salaries	-	-	2.50% - 3.50%	2.50% - 3.30%
Rate of increase of pensions in payment	-	-	2.50% - 3.10%	2.50% - 2.90%
Discount Rate	3.90%	4.00%	3.90%	4.00%
Inflation Assumption (RPI)	-	-	3.10%	2.90%
(CPI)	-	-	2.10%	2.10%
Medical Expenses Inflation	8.50%	9.00%	-	-
Expected rates of return: Equities and properties	-	-	-	5.90%
Expected rates of return: Cash and gilts	-	-	-	2.40% - 2.90%
Expected rates of return: Bonds	-	-	-	4.00%
Expected rates of return: Assets	-	-	3.90%	-

The overall expected rate of return is based upon market data for comparable instruments.

#### Fair value of the assets and the present value of liabilities of the schemes

	Group				Company	
	Medical Benefits and Executive Scheme		Group Scheme		Executive Scheme	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Equities and Property	8,678	8,211	214,603	215,295	8,678	8,211
Cash and gilts	6	-	66,872	65,683	6	-
Bonds	-	-	83,952	83,929	-	-
Insured annuity	17,700	17,791	-	-	17,700	17,791
With profit funds	1,545	1,369	-	-	1,545	1,369
Total fair value of assets	27,929	27,371	365,427	364,907	27,929	27,371
Present value of liabilities	(34,950)	(33,838)	(470,878)	(444,429)	(30,585)	(29,485)
Net deficit of the schemes	(7,021)	(6,467)	(105,451)	(79,522)	(2,656)	(2,114)
Net deficit attributable to scheme members	-	-	52,726	39,761	-	-
Net deficit attributable to the group	(7,021)	(6,467)	(52,725)	(39,761)	(2,656)	(2,114)
Deferred tax asset	1,404	1,358	10,545	8,350	531	444
	(5,617)	(5,109)	(42,180)	(31,411)	(2,125)	(1,670)

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 27. PENSION AND MEDICAL SCHEME LIABILITIES (CONTINUED)

	<u>Group</u>		<u>Company</u>
	<u>Medical Benefits and Executive Scheme</u>	<u>Group Scheme</u>	<u>Executive Scheme</u>
Reconciliation of the movements on the fair value of assets	£000	£000	£000
As at 1 November 2014	27,371	364,907	27,371
Expected return on schemes' assets	1,269	16,165	1,269
Difference between actual and expected return on schemes' assets	(1,158)	(1,237)	(1,158)
Impact of additional insured pensioners	1,031	-	1,031
Contributions	532	4,790	532
Benefits paid and DIS premiums	(1,116)	(19,198)	(1,116)
As at 31 October 2015	<u>27,929</u>	<u>365,427</u>	<u>27,929</u>
Reconciliation of the movements on the present value of liabilities	£000	£000	£000
As at 1 November 2014	(33,838)	(444,429)	(29,485)
Service cost	(320)	(5,990)	(320)
Contributions	228	-	-
Interest on schemes' liabilities	(1,354)	(17,495)	(1,184)
Experience gains arising on schemes' liabilities	1,115	982	(796)
Effects of changes in assumptions underlying the present value of schemes' liabilities	(866)	(23,144)	1,115
Impact of additional insured pensioners	(1,031)	-	(1,031)
Benefits paid and DIS premiums	1,116	19,198	1,116
As at 31 October 2015	<u>(34,950)</u>	<u>(470,878)</u>	<u>(30,585)</u>
Analysis of the movement in the schemes' assets and liabilities during the year	<u>Group</u>		<u>Company</u>
	<u>Medical Benefits and Executive Scheme</u>	<u>Group Scheme</u>	<u>Executive Scheme</u>
	<u>2015</u> £000	<u>2014</u> £000	<u>2015</u> £000
Analysis of the amount which has been charged to operating profit under FRS 17			
Current service costs	(320)	(282)	(320)
	<u>(320)</u>	<u>(282)</u>	<u>(320)</u>
Analysis of the amount which has been credited/(charged) to net finance (charges)/income under FRS 17			
Expected return on schemes' assets	1,269	1,234	1,269
Interest on schemes' liabilities	(1,354)	(1,414)	(1,184)
	<u>(85)</u>	<u>(180)</u>	<u>85</u>
Analysis of the actuarial gain/(loss) which has been recognised under FRS 17			
Actual return on schemes' assets	111	1,921	111
Expected return on schemes' assets	(1,269)	(1,234)	(1,269)
Differences between actual and expected return of schemes' assets	<u>(1,158)</u>	<u>687</u>	<u>(1,158)</u>
Experience gains/(losses) arising on schemes' liabilities	1,115	412	1,115
Effects of changes in assumptions underlying the present value of the schemes' liabilities	(866)	(1,185)	(796)
	<u>(909)</u>	<u>(86)</u>	<u>(839)</u>

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

### 27. PENSION AND MEDICAL SCHEME LIABILITIES (CONTINUED)

Analysis of the movement in the schemes' deficit during the year

	<u>Group</u>				<u>Company</u>	
	<u>Medical Benefits and Executive Scheme</u>		<u>Group Scheme</u>		<u>Executive Scheme</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	£000	£000	£000	£000	£000	£000
Deficit of schemes at the beginning of the year	(6,467)	(6,606)	(79,522)	(60,232)	(2,114)	(1,809)
Current service costs	(320)	(282)	(5,990)	(8,348)	(320)	(275)
Contributions	760	687	4,790	5,461	532	560
Other finance income	(85)	(180)	(1,330)	743	85	33
Actuarial (loss)/gain	(909)	(86)	(23,399)	(17,146)	(839)	(623)
Deficit of schemes at the end of the year	<u>(7,021)</u>	<u>(6,467)</u>	<u>(105,451)</u>	<u>(79,522)</u>	<u>(2,656)</u>	<u>(2,114)</u>

The above figures relating to the group scheme show the full charges and credits, whereas the actual amounts charged or credited to either the Profit and Loss Account or the Statement of Total Recognised Gains and Losses only reflect the group's 50% share.

#### Five Year History

Mortality rates are based upon the following tables and assumptions:

2015	S2NXA (MI 2015 1.0% LTR YoB (life expectancy 87.1 – 89.1 years)
2014	S1NXA Year of birth with CM1 2013 projections with 0.5% long-term rates (life expectancy 86.6 – 88.8 years)
2013	S1NXA Year of birth with CM1 2013 projections with 0.5% long-term rates (life expectancy 86.6 – 88.8 years)
2012	S1NXA Year of birth with CM1 2011 core projections with 0.5% long-term rates (life expectancy 86.7 – 89.0 years)
2011	S1NXA MC Year of birth projection with medium cohort improvement (life expectancy 86.0 – 87.1 years)

The life expectancy figures relate to a pensioner aged 65 at the accounting date.

Group scheme	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	£000	£000	£000	£000	£000
Scheme assets	365,427	364,907	351,280	331,837	325,427
Scheme liabilities (funded)	(470,878)	(444,429)	(411,512)	(403,210)	(371,885)
Deficit	<u>(105,451)</u>	<u>(79,522)</u>	<u>(60,232)</u>	<u>(71,373)</u>	<u>(46,458)</u>
Experience adjustments					
- assets	(1,237)	10,378	15,343	6,293	(7,189)
- liabilities	982	2,191	(13,910)	5,553	(4,217)
Actual return on assets	<u>14,928</u>	<u>29,274</u>	<u>31,401</u>	<u>21,865</u>	<u>10,461</u>

# NEWARTHILL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

### 27. PENSION AND MEDICAL SCHEME LIABILITIES (CONTINUED)

Medical benefits and executive schemes

<u>Group</u>	<u>2015</u> £000	<u>2014</u> £000	<u>2013</u> £000	<u>2012</u> £000	<u>2011</u> £000
Scheme assets	27,929	27,371	24,805	23,411	21,805
Scheme liabilities (funded)	(30,585)	(29,485)	(26,614)	(24,983)	(22,330)
Scheme liabilities (unfunded)	(4,365)	(4,353)	(4,797)	(5,061)	(4,593)
Deficit	<u>(7,021)</u>	<u>(6,467)</u>	<u>(6,606)</u>	<u>(6,633)</u>	<u>(5,118)</u>
Experience adjustments					
- assets	(1,158)	687	(67)	(62)	(154)
- liabilities	<u>1,115</u>	<u>412</u>	<u>330</u>	<u>1,096</u>	<u>71</u>
Actual return on assets	<u>(43)</u>	<u>1,921</u>	<u>1,089</u>	<u>895</u>	<u>823</u>

### 28. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the group provides unfunded post-retirement medical insurance benefits for a number of its employees after retirement. The group recognises the obligation by spreading forward the cost over the expected service lives of relevant employees.

### 29. COMMITMENTS

There were no amounts contracted for but not provided in the financial statements (2014: £nil).

Annual commitments for land and buildings under non-cancellable operating leases were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u> £000	<u>2014</u> £000	<u>2015</u> £000	<u>2014</u> £000
Operating leases which expire:				
Within one year	671	3,706	-	208
In two to five years	2,236	1,489	-	-
Over five years	25	25	-	-
	<u>2,932</u>	<u>5,220</u>	<u>-</u>	<u>208</u>

### 30. CONTINGENT LIABILITIES

There were contingent liabilities in respect of:

- guarantees of contract performance bonds given in the normal course of business;
- guarantees of performance by subsidiary and joint arrangements under funding and leasing agreements; and
- completed and uncompleted contracts.

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

The group has provided a maximum guarantee of £2,175,000 (2014: £2,175,000) to a joint venture. This amount becomes payable if the joint venture fails to meet its interest liabilities. In addition, the group has guaranteed future rentals for the same joint venture. The maximum liability at 31 October 2015 is £2,049,000 (2014: £2,126,000).

## NEWARTHILL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

#### 31. DERIVATIVES NOT INCLUDED AT FAIR VALUE

At the year end, the group had the following open derivatives that were not included in the financial statements at fair value:

	2015 £000	2014 £000
Fair value of derivative:		
Loss on interest rate swap - subsidiaries	(20,792)	(17,988)
- joint ventures	(20,449)	(22,642)
Profit on RPI swaps - subsidiaries	3,926	1,624
	<u>(37,315)</u>	<u>(39,006)</u>

The group uses derivatives to manage its exposure to RPI and to interest rate movements on its bank loans. The fair values are based on the market values of equivalent instruments at the balance sheet date.

The relevant loans have an interest rate swap contract with a total principal amount of £163.9m (2014: £181.7m) and fixed interest payments at rates of between 2.98% and 5.03% for periods ranging between 2015 and 2037.

#### 32. SUBSIDIARY COMPANIES, JOINT ARRANGEMENTS AND JOINT VENTURES

##### a) Subsidiary companies

The following represent the subsidiaries as at 31 October 2015 and, except where otherwise stated, were incorporated in Great Britain, registered and operated in England and Wales and were wholly-owned.

Following amendments to the Companies Act 2006, a number of subsidiaries no longer require an audit. The subsidiaries marked by \* have taken advantage of this exemption from an audit in accordance with Section 479A. Newarthill Limited has provided a guarantee to each of these subsidiaries in compliance with Section 479C.

##### Direct Subsidiaries:

Brickworth Developments Limited	*	(property development)
Sir Robert McAlpine (Holdings) Limited		(holding company, civil engineering and building)
Sir Robert McAlpine Enterprises Limited		(holding company, construction related activities)

##### Other Subsidiaries:

##### Civil Engineering and Building:

Bankside Electrical Contractors Limited	*	
British Contracts Company Limited		
ConstructEnergy Limited	*	
Derby Joinery Limited		
MC Alpine Enterprises Limited		
McAlpine Limited		Cayman Islands
McAlpine Offshore Limited		
Partnership Insurance Company		Cayman Islands
Sir Robert McAlpine Limited		
Sir Robert McAlpine Management Contractors Limited	*	
St. Blaise (1998) Limited	*	

##### Property and Investments:

Abacus Developments Limited	*	
Abacus Projects Limited	*	
ADL Ventures Limited	*	
Cardiff Gate Business Park Limited	*	
Concert Bay Limited	*	
Lizard Orchid Developments Limited	*	
McAlpine Park Lane Inc.		United States of America
McAlpine Properties Limited		Cayman Islands
Merlot Developments Limited	*	
Miltons Shoot 2011 Limited		
Oak Court Estates (Langstone, Monmouthshire) Limited		(60% owned)
Oak Court Management Company (Coventry) Limited		
Oakus Developments Limited	*	
Seville Holdings Limited		United States of America
Robert McAlpine Enterprises Limited		
Tempus Ten (Management) Limited		(54% owned)
White Rock Business Park Limited		(82% owned)



## NEWARTHILL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2015

#### 32. SUBSIDIARY COMPANIES, JOINT ARRANGEMENTS AND JOINT VENTURES (CONTINUED)

Other Subsidiaries: (continued)

PPP Investments:

Aura Learning Communities Limited  
 Autolink Concessionaires (A19) Limited  
 Autolink Holdings (A19) Limited  
 Pinnacle Schools (Gateshead) Holdings Limited  
 Pinnacle Schools (Gateshead) Limited  
 Pinnacle Schools Limited  
 Sir Robert McAlpine Capital Ventures Limited  
 Sir Robert McAlpine Healthcare (Dawlish) Limited \*  
 Sir Robert McAlpine Healthcare Limited  
 Sir Robert McAlpine Road Holdings Limited  
 Sir Robert McAlpine (A19) Limited  
 Sir Robert McAlpine (M6) Limited  
 SRM (Redcar & Cleveland) Holdings Limited  
 SRM (Redcar & Cleveland) Limited

#### b) Joint arrangement

##### Principal unincorporated joint arrangement

The following represents the principal unincorporated joint arrangement as at 31 October 2015 which operates within the United Kingdom.

<u>Company</u>	<u>Group interest in Joint Arrangement</u>
Integrated Health Projects JV	50%

The above joint arrangement is involved in construction.

##### Principal incorporated joint arrangements

The following represent the principal incorporated joint arrangements of the group as at 31 October 2015.

<u>Company</u>	<u>Country of Registration, Incorporation and Principal Country of Operation</u>	<u>Issued Shares</u>	<u>Group Holding %</u>	<u>Date of Financial Statements</u>
BCM McAlpine Limited	Bermuda	12,000 Ordinary shares of BD\$1 each	40	31/10/15
McAlpine (Cayman) Limited	Cayman Islands	10,000 Ordinary shares of C\$1 each	40	31/10/15

The above joint arrangements are involved in civil engineering and building.

## NEWARTHILL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2015

#### 32. SUBSIDIARY COMPANIES, JOINT ARRANGEMENTS AND JOINT VENTURES (CONTINUED)

##### c) Principal joint ventures

The following represent the principal joint ventures of the group as at 31 October 2015.

<u>Company</u>	<u>Country of Registration, Incorporation</u>	<u>Issued Shares</u>	<u>Group Holding %</u>	<u>Date of Financial Statements</u>
Autolink Holdings (M6) Limited	England & Wales	77,138 'B' Ordinary shares of 10p each	100	31/12/14
		77,138 'A' Ordinary shares of 10p each	nil	
		77,138 'C' Ordinary shares of 10p each	nil	
		25,713 'D' Ordinary shares of 10p each	nil	
		138,453 'E' Ordinary shares of 10p each	nil	
Paget Health Services (Holdings) Limited	Bermuda	10,000 Ordinary Shares of \$1 each	58	31/10/15
Dalmore Capital (Aura) Limited	England & Wales	2 'B' Tracker shares of £1 each	100	*
		45,000 'A' Tracker shares of £1 each	nil	

All of the above joint ventures are involved in the designing, building, operating and financing of PPP projects within the United Kingdom except Paget Health Services Limited which operates within Bermuda.

EHC International Limited	England & Wales	1,000 Ordinary shares of £1 each	50	31/10/15
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The above joint venture is involved in property development and operates within the United Kingdom, Morocco and Malaysia.

Jersey Waterfront Hotel Holding Limited	Channel Islands	4,000 Ordinary shares of £1 each	50	31/12/14
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The above joint venture is involved in hotel management and operates within the Island of Jersey.

\* The Company's first set of financial statements have not yet been issued.