Registration number: 01050970

Newarthill Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 October 2019

Newarthill Limited

Contents

Newarthill Limited

Company Information

Directors	The Hon. David M McAlpine
	Cullum McAlpine
	Sir Andrew W McAlpine
	David S Jenkins FCA
	Robert J W Wotherspoon B.Eng., ACA
Company secretary	John Dempsey BA, ACMA, CGMA
	Kevin J Pearson BSc., ACA
Registered office	Eaton Court Maylands Avenue Hemel Hempstead Hertfordshire HP2 7TR United Kingdom
Auditor	Deloitte LLP Statutory Auditor London United Kingdom

Newarthill Limited

Strategic Report for the Year Ended 31 October 2019

The Directors present their strategic report for the year ended 31 October 2019.

Principal activities
Newarthill Limited is a holding company whose principal activity is the co-ordination of the Group's activities in construction, PPP operations and property development. The Group comprises a number of subsidiaries including Sir Robert McAlpine Limited, a leading building and civil engineering construction company operating primarily within the United Kingdom.

The Group celebrated our 150th anniversary during 2019 and this longevity reflects an ability to understand the needs of clients and wider society, innovating and adapting in response to a changing world. It also speaks to our family culture, our entrepreneurial spirit and the enduring values that run through the Group's business.

Fair review of the business
The Group's key financial indicators are turnover and profit before tax and these are discussed below.

• Group turnover was £1,054.6m (2018: £858.8m).
• The profit on ordinary activities before taxation and exceptional items was £18.3m (2018: £20.1m).
• The profit on ordinary activities after taxation and after exceptional items was £18.6m (2018: £1.3m).

UK construction

In September 2019, a strategic review was commenced to ensure that Sir Robert McAlpine was focussed and organised to create a robust and sustainable business for the long term. This work continued through the first half of 2020, supplemented by COVID-19 related analysis. The 2019-2024 strategy continues at pace with a keen focus on:

• Profitable growth against the internal measurement of excellence, across safety, quality, sustainability and on time delivery, known as Build Sure
• Using data and technology to inspire
• Trusted client and supply chain relationships
• Building a stronger and more resilient portfolio of work
• Becoming the best place to work
• Being industry leaders in our chosen sectors

Whilst the UK construction market remains highly competitive, the UK construction business saw increased profits in the financial year 2018/19. This is as a result of an increased focus on risk management, tendering procedures and most importantly operational delivery leading to the continued improvement in margins. The Group continue to concentrate on delivering enhanced client focus and placing exemplary project delivery at the centre of our operations. Our core 'Build Sure' commitments, of delivering safely, on time, to the highest quality and sustainably, are beginning to generate increased profits. The Group recognises the importance of our supply chain partners and understand that we can only achieve exemplary performance by working in successful collaboration with the many small and large subcontractors that work with us on our projects. The Group remain totally committed to treating them fairly, rewarding them appropriately and supporting them with fair payment practices. Our environmental, quality, health and safety management systems ensure we provide a consistent level of compliance across all our operations. The Group is continuing to improve its governance processes in line with its commitment to act with the highest possible ethical standards. The Group's policies are publicly available on our website and cover a number of topics including Modern Slavery, Sustainability, Environmental, Health & Safety and Inclusion.

Projects that Sir Robert McAlpine Limited completed over the last year, included Wimbledon No.1 Court, with its feature retractable roof, ahead of schedule and in time for the 2019 Championship, 135 Bishopsgate, as part of our 10-year framework on the Broadgate Campus, and a brand-new cancer care centre for Maggie's at the Royal Marsden Hospital in Sutton. Their complex work on Elizabeth Tower has been a constant source of media coverage for its respectful approach to an iconic heritage project that converges traditional skills with modern innovations.

Elsewhere the business completed Phase 2 at Pinewood Studios, Central Square in Cardiff, one of the largest commercial developments in Europe, the Frederick Douglass Building for Newcastle University, a learning and teaching centre named after the 19th Century social reformer, another Maggie's Cancer Care Centre at St James's University Hospital in Leeds. In Scotland, Sir Robert McAlpine delivered Edinburgh Park Phase 1, part of a larger development which is to include a 5 storey office building with ground floor retail units and a multi storey car park and in Guildford they completed a student accommodation project for Surrey University.

Looking forward, Sir Robert McAlpine Limited have won or commenced work on several notable projects including the development of 21 Moorfields, above Moorgate station, City Labs 2.0, a state-of-the-art medical facility in Manchester and they are the lead contractor on the Tower Works development, part of the Southbank regeneration in Leeds. In Scotland, they commenced work on the refurbishment of the food court and the construction of new leisure and retail facility at St Enoch Centre in Glasgow, which Sir Robert McAlpine Limited originally built. In addition, the Special Projects team commenced work on Project Pegasus at the Inner Temple, a major remodelling of one if the UK's four Inns of Courts.

The business continues to grow its market share of the construction management sector providing a strong income stream while also increasing the amount of work it derives from frameworks as it seeks to diversify its work portfolio with the business appointed to the PAGABO Framework and the University of Glasgow Framework. Their civil engineering business continues to work with Highways England as a Delivery Integrated Partner on their regional framework, in a joint venture with Amey, signing a contract for the M6 J19 improvement scheme. The other material component of our Civils business is the participation in the Align Joint Venture with Bouygues Travaux Publics and VolkerFitzpatrick on the UK's High Speed 2 project.

Caribbean construction
Although a small part of the group, our Caribbean business remains profitable.

Property development and investments
Our activity in these sectors continues as we seek to maximise value from our existing developments and investments while continuing to explore new opportunities.

Capital ventures
There were no movements in the Group's portfolio of PPP investments during the year - all of which are being actively managed and are performing well.

All of the concessions are in the operational phase and so the focus continues to be on the delivery of services through the relevant project companies. The service delivery of the two road concessions continues to be provided effectively by the Group's construction business, whilst all of the facilities management services on the other concessions are being delivered by third party contractors.

There have been no new PPP opportunities during the year and so the focus has been on adding value to the existing portfolio.

Taxation
The Group has a tax charge of £2.1m (2018: Credit of £1.5m). This is mainly in respect of deferred tax charge.

Cash and borrowings
The Group had cash balances of £175.8m (2018: £162.2m) at the year end. All the senior loan borrowings of £128.4m (2018: £139.0m) represented non-recourse debt of which £123.4m (2018: £134.0m) is in our wholly-owned PPP project companies.

Outlook
The Group continues to have substantial cash balances and with only non-recourse borrowing in project companies, is well placed to exploit opportunities within both the construction and development sectors as they arise. The Group has no debt facilities that are repayable on demand, is not subject to any debt covenants or other restrictions and will continue to prioritise profitability and liquidity over pure turnover growth. However, the Group expect to see a downturn in the profitability of it's construction business in the coming year driven in the main via an anticipated revenue loss compared to this reporting period due to the impact of COVID-19 on the UK economy.

Responding to COVID-19

When COVID-19 was declared a global pandemic during the first quarter of 2020 the Group's immediate focus was on securing the safety of our people and the communities in which we work. The construction business acted swiftly to close its sites.

The construction business has worked closely with and contributed to industry bodies throughout the crisis and has at all times abided fully with Government guidance. Operating within the imposed safety guidelines and social distancing was a challenge, but one that was met with the usual problem-solving skills and can-do attitude of our people. This meant that within a few weeks the construction business was able to reopen some sites and begin the journey back to full productivity.

The financial impact of COVID-19

There has been an impact on the financial performance of the construction business that will influence our profits in 2019/20. We anticipate revenues to be lower than in this reported financial year. In addition, our operating costs have increased through site closures, lower productivity and from the implementation of new safety processes and procedures which will impact profitability. The cash performance of the construction business to the end of September 2020 has been strong and even though COVID-19 may impact this position at the 2019/20 year-end the Group will still report a strong net-cash position.

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

The current principal risks of the Group are:

Macroeconomic and geopolitical changes: The uncertainty around the negotiations of a transition agreement post Brexit, its potential impact on labour availability and the risk of increased costs due to currency fluctuations, tariffs and disruption to the supply chain, is a concern for the construction industry as a whole. The Group continue to plan and monitor its exposure to these issues on a project by project basis. The Group monitors and reviews this and other macroeconomic and geopolitical risks on a regular basis.

COVID-19 and its longer-term impact on the economy and UK Construction industry: The construction business is closely collaborating with its clients, supply chain and various industry bodies to help monitor the economic impact of COVID-19 and is poised to take necessary actions to ensure business stability.

Newarthill Limited

Strategic Report for the Year Ended 31 October 2019

Management of major contracts and bidding risk: The risks that the construction business is exposed to depend on the size and complexity of the project together with the legal form of contract. The business maintains strong risk-based procedures with particular emphasis on the tendering process and change management. There is a formal Risk and Investment Committee which reviews and approves all opportunities.

The retention and development of high-quality staff: The availability of skilled resources to match the needs of our business is vital to the success and effective operation of our Group. An active People strategy is being deployed addressing, amongst other things, our employee proposition, engagement, succession planning and inclusion.

The 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 23. The Group closed the larger of the two schemes to new entrants and future accrual in the latter part of 2017.

Health and Safety: The Group is involved in activities that have the potential to result in personal or environmental harm, operational loss, regulatory, legal or financial penalties, and/or reputational loss. The Group has a primary focus on health and safety and continues to invest in the functional leadership, management policies and procedures.

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 the use of interest rate swaps or fixed rate borrowing.

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.

Competition: The sectors in which the Group operates are highly competitive and operate on low margins. Failure to compete effectively and evolve to clients' needs increases the risk of losing market share and the future viability of the business. The business continually monitors the sectors in which the Group operates, pursuing opportunities in which competitive advantages exist. In addition, our key account client focus ensures we adapt, in an agile manner, to their needs.

Robust and secure systems environment where data is protected: There is a risk that the loss of key systems or data through a lack of resilience could have a material impact on the operations of the Group. The Group has robust security protocols embedded in its current IT environment, which are periodically stress tested internally and by third parties.

Governance risk control and mitigation: The challenging of the principal risks and uncertainties forms part of the work of the audit committee. The audit committee also satisfies itself as to the independence of the auditor as well as robustly challenging accounting policies, judgements and estimates, and the Directors' assessment of whether it is appropriate to adopt the going concern basis of accounting.

Approved by the Board on 16/10/20 and signed on its behalf by:

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Cullum McAlpine
Director

Newarthill Limited

Directors' Report for the Year Ended 31 October 2019

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 October 2019.

Directors of the Group
The directors who held office during the year and to the date of this report, unless otherwise stated were as follows:

The Hon. David M McAlpine

Cullum McAlpine

Sir Andrew W McAlpine

Gavin M McAlpine BA, MSc (resigned 31 December 2018)

David S Jenkins FCA

Donald Joyce CA (resigned 4 October 2019)

Robert J W Wotherspoon B.Eng., ACA

Dividends
No interim dividends were paid during the year (2018:£nil). The Directors do not recommend payment of a final dividend (2018:£nil).

Financial instruments

Objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives to manage these risks is governed by the Group's policies approved by the board of Directors. The Group does not use derivative financial instruments for speculative purposes.

Price risk, credit risk, liquidity risk and cash flow risk

The Group's principal risks and uncertainties are included in the Strategic Report.

Employment of disabled persons
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. Employees are treated equally and fairly, and selection for training, promotion, career progression and other benefits is taken solely on merit and ability to perform against role profiles.

Employee involvement
The Group provides information to its employees both of a general company nature and to encourage awareness of financial, economic, strategic and other factors which affect the Group. We achieve this through formal and informal briefings, our Group magazine and our intranet.

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

Newarthill Limited

Directors' Report for the Year Ended 31 October 2019

Going concern
The Group and the company have considerable financial resources and carry only non-recourse debt. Following the COVID-19 pandemic, the Directors have prepared cashflow forecasts to October 2021 showing a base case with a downside scenario modelled against this. For the Group's construction business, the base case shows the cashflow generated from secured and nearly secured contracts, government assistance on COVID-19 related schemes and short term working capital needs. The downside scenario demonstrates the effect of reduced order intake, delayed settlements and increased remedial cash ouftlows. This was designed to establish a pessimistic but plausible downside and demonstrates that sufficient cash headroom can be maintained throughout this period. The PPP investments have remained operational throughout COVID-19 and continue to generate funds to meet the non recourse debt repayments. Development activity has slowed down due to COVID-19 but we are now beginning to see a rise in the number of potential opportunities.

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

Further details regarding the adoption of the going concern basis can be found in the accounting policies note in the financial statements.

Post balance sheet events
The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. See above and the Strategic Report for details of the related risks and note 33 for the financial impact of this event.

Directors' liabilities
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.

Disclosure of information to the auditor
Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

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

Approved by the Board on 16/10/20 and signed on its behalf by:

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John Dempsey BA, ACMA, CGMA
Company secretary

Newarthill Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company 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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Newarthill Limited (the 'parent company') and its subsidiaries (the 'group'):
• give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2019 and of the group's profit for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
• the consolidated profit and loss account;
• the consolidated statement of comprehensive income;
• the consolidated and company balance sheets;
• the consolidated and company statements of changes in equity;
• the consolidated cash flow statement; and
• the related notes 1 to 34.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- 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 group's or the parent 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 these matters.

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Newarthill Limited

Independent Auditor's Report to the Members of Newarthill Limited

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

In the light of our knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tobias Wright
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Tobias Wright (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor

London, United Kingdom

Date: 16 October 2020

Newarthill Limited

Consolidated Profit and Loss Account for the Year Ended 31 October 2019

	Note	Before exceptional items 2019 £ 000	Exceptional items 2019 £ 000	2019 £ 000	Before exceptional items 2018 £ 000	Exceptional items 2018 £ 000	As restated 2018 £ 000
Turnover	3	1,054,587	-	1,054,587	855,981	2,822	858,803
Cost of sales		(1,011,003)	2,371	(1,008,632)	(816,044)	(2,822)	(818,866)
Gross profit		43,584	2,371	45,955	39,937	-	39,937
Administrative expenses		(33,974)	-	(33,974)	(29,532)	(15,280)	(44,812)
Other operating losses	4	(609)	-	(609)	(505)	-	(505)
Operating profit/(loss)	5	9,001	2,371	11,372	9,900	(15,280)	(5,380)
Gain on financial assets at fair value through profit and loss account		-	-	-	402	-	402
Interest receivable and similar income	7	19,635	-	19,635	14,526	-	14,526
Amounts written (off)/back investments		(2,180)	-	(2,180)	420	-	420
Interest payable and similar charges	8	(13,687)	-	(13,687)	(14,654)	(5,050)	(19,704)
		3,768	-	3,768	694	(5,050)	(4,356)
Share of profit of equity accounted investees		5,547	-	5,547	9,504	-	9,504
Profit/(loss) before tax		18,316	2,371	20,687	20,098	(20,330)	(232)
Taxation	12	(2,128)	-	(2,128)	1,537	-	1,537
Profit/(loss) for the financial year		16,188	2,371	18,559	21,635	(20,330)	1,305

The above results were derived from continuing operations.

Newarthill Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 October 2019

	2019 £ 000	(As restated) 2018 £ 000
Statutory Profit for the financial year	18,559	1,305
Unrealised (loss)/gain on cash flow hedges	(3,470)	2,902
Foreign currency translation (loss)/gains	(1,187)	1,611
Remeasurement gain on defined benefit pension and post-retirement medical schemes net of deferred tax	1,192	(754)
	(3,465)	3,759
Total comprehensive income for the year	15,094	5,064
Total comprehensive income attributable to:		
Equity shareholders of the company	15,094	5,064

Newarthill Limited

(Registration number: 01050970)
Consolidated Balance Sheet as at 31 October 2019

	Note	2019 £ 000	(As restated) 2018 £ 000
Non - current assets			
Intangible assets	13	3,760	4,744
Tangible assets	14	46,304	42,638
Investment properties	15	21,405	22,519
Investments	16	52,046	50,195
Other financial assets	17	26,696	28,501
		150,211	148,597
Current assets			
Stocks	18	60,443	57,398
Debtors due within one year	19	158,553	185,253
Debtors due after one year	19	177,747	184,728
Cash and cash equivalents	20	175,754	162,179
		572,497	589,558
Creditors: Amounts falling due within one year	21	(302,128)	(311,892)
Net current assets		270,369	277,666
Total assets less current liabilities		420,580	426,263
Creditors: Amounts falling due after more than one year	21	(177,867)	(206,180)
Provisions for liabilities	22	(21,801)	(13,922)
Net assets excluding employee benefits liabilities		220,912	206,161
Pension and other schemes	23	(154,913)	(155,256)
Net assets		65,999	50,905
Capital and reserves			
Called up share capital	24	7,104	7,104
Capital redemption reserve		15,171	15,171
Other reserves		(4,420)	990
Profit and loss account		48,144	27,640
Total equity		65,999	50,905

Approved and authorised by the Board on 16/10/20 and signed on its behalf by:

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Cullum McAlpine

Director

The notes on pages 19 to 58 form an integral part of these financial statements.

Newarthill Limited

(Registration number: 01050970)
Company Balance Sheet as at 31 October 2019

	Note	2019 £ 000	(As restated) 2018 £ 000
Non - current assets			
Investments	16	132,527	132,527
Current assets			
Debtors due within one year	19	55,310	33,769
Debtors due after one year	19	24,241	24,307
Cash and cash equivalents	20	19,635	2,177
		99,186	60,253
Creditors: Amounts falling due within one year	21	(83,707)	(46,351)
Net current assets		15,479	13,902
Total assets less current liabilities		148,006	146,429
Provisions for liabilities	22	(62)	(62)
Net assets excluding pension schemes liability		147,944	146,367
Pension schemes	23	(149,539)	(149,832)
Net liabilities		(1,595)	(3,465)
Capital and reserves			
Called up share capital	24	7,104	7,104
Capital redemption reserve		15,171	15,171
Profit and loss account		(23,870)	(25,740)
Total equity		(1,595)	(3,465)

As permitted by Section 408(3) of the Companies Act 2006, no profit and loss account of the Company is presented. The Company made a profit after tax for the financial year of £678,053 (2018 - loss of £25,411,000).

Approved and authorised by the Board on 16/10/20 and signed on its behalf by:

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Cullum McAlpine

Director

The notes on pages 19 to 58 form an integral part of these financial statements.

Newarthill Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 October 2019

	Share capital £ 000	Capital redemption reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2018	7,104	15,171	990	27,640	50,905
Profit for the financial year	-	-	-	18,559	18,559
Other comprehensive (loss)/income (see note 25)	-	-	(4,650)	1,185	(3,465)
Total comprehensive (loss)/income	-	-	(4,650)	19,744	15,094
Transfers	-	-	(760)	760	-
At 31 October 2019	7,104	15,171	(4,420)	48,144	65,999

	Share capital £ 000	Capital redemption reserve £ 000	Other reserves £ 000	(As restated) Profit and loss account £ 000	Total £ 000
At 1 November 2017	7,104	15,171	(2,932)	26,498	45,841
Profit for the financial year	-	-	-	1,305	1,305
Other comprehensive income/(loss) (see note 25)	-	-	3,763	(4)	3,759
Total comprehensive income	-	-	3,763	1,301	5,064
Transfers	-	-	159	(159)	-
At 31 October 2018	7,104	15,171	990	27,640	50,905

The notes on pages 19 to 58 form an integral part of these financial statements.

Newarthill Limited

Company Statement of Changes in Equity for the Year Ended 31 October 2019

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2018	7,104	15,171	(25,740)	(3,465)
Profit for the financial year	-	-	678	678
Other comprehensive income (see note 25)	-	-	1,192	1,192
Total comprehensive income	-	-	1,870	1,870
At 31 October 2019	7,104	15,171	(23,870)	(1,595)

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2017	7,104	15,171	(149)	22,126
Loss for the year	-	-	(25,411)	(25,411)
Other comprehensive losss	-	-	(180)	(180)
Total comprehensive loss	-	-	(25,591)	(25,591)
At 31 October 2018	7,104	15,171	(25,740)	(3,465)

Newarthill Limited

Consolidated Statement of Cash Flows for the Year Ended 31 October 2019

	Note	2019 £ 000	(As restated) 2018 £ 000
Cash flows from operating activities			
Profit for the financial year		18,559	1,305
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	10,465	9,716
Financial instrument net (losses)/gains through profit and loss		-	2,902
Profit on disposal of property, plant and equipment	5	(241)	(369)
Loss from sales of investment properties		-	884
Profit from revaluations of investment properties		850	1,564
Loss from disposals of investments		-	(10)
Amounts written back/(off) investments		2,180	(420)
Finance income	7	(19,635)	(14,526)
Finance costs		13,666	19,704
Share of profit of equity accounted investees		(5,547)	(9,504)
Taxation	12	2,128	(1,537)
		22,425	9,709
Working capital adjustments			
(Increase)/decrease in stocks		(3,045)	1,732
Decrease in debtors		31,295	20,273
Increase/(decrease) in creditors		10,961	(23,376)
(Decrease)/increase in retirement and employee benefit obligations net of actuarial changes		(4,383)	5,602
Increase/(decrease) in provisions		8,805	(14,565)
(Decrease)/increase in deferred income		(39,351)	9,884
Cash generated in operations		26,707	9,259
Corporation tax paid		(34)	(148)
Net cash generated in operating activities		26,673	9,111
Cash flows from investing activities			
Interest and dividends received		24,031	13,761
Acquisition of tangible assets		(14,032)	(10,934)
Proceeds from sale of tangible assets		2,517	885
Acquisition of investment properties		-	(3,797)
Proceeds from sale of investment properties		1,255	2,466
Proceeds from sale of listed and unlisted securities		-	10
Cash receipts from repayment of loans, classified as investing activities	16	(107)	1,484
Advances of loans, classified as investing activities	16	129	(1,929)
Acquisition of investments in joint ventures and associates		-	(579)
Proceeds from sale of investments in joint ventures and associates		(1,968)	1
Net cash from investing activities		11,825	1,368

Newarthill Limited

Consolidated Statement of Cash Flows for the Year Ended 31 October 2019

	Note	2019 £ 000	(As restated) 2018 £ 000
Cash flows from financing activities			
Interest paid		(8,989)	(15,058)
Repayment of other borrowing		(10,682)	(38,306)
Payments to finance lease creditors		(3,889)	(2,521)
Net cash used in financing activities		(23,560)	(55,885)
Net increase/(decrease) in cash and cash equivalents		14,938	(45,406)
Cash and cash equivalents at start of year		162,179	205,893
Effect of exchange rate fluctuations on cash held		(1,363)	1,692
Cash and cash equivalents at end of year		175,754	162,179

Notes to the Financial Statements for the Year Ended 31 October 2019

1 General information

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

The address of its registered office is:
Eaton Court
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TR
United Kingdom

Authorised for issue date

2 Accounting policies

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

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation
These financial statements have been prepared using the historical cost convention except, as disclosed in the accounting policies, certain items are shown at fair value.

Departure from requirements of FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

Statement of cash flows
The Company has taken advantage of the exemption available from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

Financial instruments disclosure
The Company has taken advantage of the exemption available from the financial instruments disclosure, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosures.

Basis of consolidation
The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 October 2019.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the financial year of £678,053 (2018 - loss of £25,411,000).

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are included within amounts owed by and due to related parties, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Investments in joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of profit/(loss) after tax based on the latest financial statements and management accounts. In the consolidated balance sheet, the investments are shown as the Group's share of assets and liabilities.

Associates
In the Group financial statements, investments in associates are accounted for using the equity method.

Investments in associates are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the associate, less any impairment. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life using the straight-line method.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the Group has incurred legal or constructive obligations or has made payments on behalf of the associate.

Business combinations
Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Newarthill Limited

Notes to the Financial Statements for the Year Ended 31 October 2019

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 20 to 26 to the financial statements. A description of the Group's management of interest rate risk and treasury risk are set out in the Strategic Report.

The Group and the company have considerable financial resources and carry only non-recourse debt. Following the COVID-19 pandemic, the Directors have prepared cashflow forecasts to October 2021 showing a base case with a downside scenario modelled against this. For the Group's construction business, the base case shows the cashflow generated from secured and nearly secured contracts, government assistance on COVID-19 related schemes and short term working capital needs. The downside scenario demonstrates the effect of reduced order intake, delayed settlements and increased remedial cash outflows. This was designed to establish a pessimistic but plausible downside and demonstrates that sufficient cash headroom can be maintained throughout this period. The PPP investments have remained operational throughout COVID-19 and continue to generate funds to meet the non recourse debt repayments. Development activity has slowed down due to COVID-19 but we are now beginning to see a rise in the number of potential opportunities.

Taking this into account, the directors have a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for at least 12 months from the date of approval of financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Critical accounting judgements and key sources of estimation and uncertainty
In the process of applying the Group's accounting policies the Directors make certain judgements and estimates that impact the amounts recognised in the financial statements. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical areas of accounting judgement are:

The classification for investment properties: Investment properties are classified as such where the Group identifies land and buildings which it holds to generate capital appreciation and/or to earn rental income as investment property.

Accounting for properties within Stocks: Other properties are classified as properties held for development and sale where the Group identifies land and buildings which it holds with a view to developing and subsequent sale on the open market. The Group states its development properties at cost less impairment.

Significant areas of estimation are:

Turnover: The turnover policy, described below, requires forecasts to be made of the outcomes of long-term construction contracts, which require assessments and judgements to be made on the recovery of pre-contract costs, changes in the scope of work, contract programmes, defects liabilities and changes in costs. There are several long-term construction contracts where the Group has incorporated significant judgements over contractual entitlements. To a large extent, the Group's profitability depends on costs being accurately calculated and controlled, and projects being completed on time. Therefore, if the estimate of the overall risks or calculations of the revenue or costs or more contracts prove inaccurate or cirmcumstances change, this could result in a positive or negative change to underlying profitability and cash flow.

PPP service concessions: Accounting for the service concession contracts and financial assets requires an estimation of service margins, which are based on forecasted revenues and costs of the PPP contracts.

Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is probable that future taxable profit will arise against which the temporary differences will be utilised. Management estimates are required to determine the amount of deferred tax assets that can be recognised based on the likely timing and level of future taxable profits.

Valuation of investment properties: The primary source of evidence for property valuations should be recent, comparable market transactions on an arms-length basis. Where applicable, the Group uses external professional valuers to determine the relevant amounts. However, the valuations of the Group's investment properties are inherently subjective, as they are made on the basis of assumptions made by the valuers which may not prove to be accurate.

Debtors: A provision for debtors is established where it is estimated that the debtors are not considered to be fully recoverable. When assessing recoverability, the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers. There estimates may depend upon the outcome of future events and may need to be revised as circumstances change.

Provisions: Provisions (see note 22) are made for expected future losses on complete contracts with remedial works identified. These provisions require management's best estimate of the costs that will be required to complete contracts based on contractual requirements. It is impracticable to estimate the timing of the utilisation of the future losses and discounting, unless material, has not been applied.

Retirement benefit obligations: The Group has defined benefit pension scheme obligations (see note 23) to pay pension benefits to the schemes' members. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends and take into account the advice of a qualified actuary.

Exceptional items

Section 5 of FRS 102 deals with the presentation of total comprehensive income for the reporting period. FRS 102 requires material items to be disclosed separately on the face of the profit and loss account in a way that enables users to assess the quality of a company's financial performance. In practice, these are commonly referred to as ''exceptional" items, but this is not a concept defined by FRS 102 and therefore there is a level of judgement involved in determining what to include as 'Exceptional'. We consider items which are non-recurring or significant in size or in nature to be suitable for separate presentation (see note 6).

Turnover

Turnover represents the value of work carried out, gross property income and services supplied to clients during the year.

Construction turnover is recognised by reference to the stage of completion at the reporting date when the outcome of individual contracts can be estimated reliably. Construction turnover is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract. Estimates of the final out-turn on each contract may include cost contingencies to take account of the specific risks within each contract that have been identified. The cost contingencies are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. The Directors continually review the estimated final out-turn on contracts, and in certain limited cases, assess recoveries from insurers, and make adjustments where necessary. No margin is recognised until the outcome of the contract can be estimated with reasonable certainty. Construction turnover includes variations in contract work which are recognised when it is probable that it will be agreed by the client and the amount can be measured reliably. Construction turnover also includes claims which are recognised when negotiations have reached an advanced stage such that it is probable that the client will accept the claim and the amount can be measured reliably. Profit is recognised on long-term contracts only once the final outcome can be assessed with reasonable certainty by including turnover and cost of sales within the profit and loss account as contract progresses.

PPP turnover is recognised by allocating a proportion of total cash received over the life of the project to service costs by means of a deemed constant rate of return on those costs. Management model these costs over the lifetime of the project to estimate the likely total costs.

Property turnover comprises rental income and service charge income. Rental income from investment property under an operating lease is recognised within turnover on a straight-line basis over the lease term. Service charge income is recognised within turnover in the period to which it relates.

Cost of sales

These comprise the direct costs of the work carried out during the year and include any provisions for expected future losses and contingencies on contracts.

Foreign currency transactions and balances

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

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

Tax

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are 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 difference can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and asset reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill amortisation
Goodwill is amortised over its useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding twenty years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

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

The cost of tangible assets includes directly attributable costs incurred during acquisition and installation, other than interest, which is written off to the profit and loss account.

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

Asset class	Depreciation method and rate
Freehold land and buildings	straight line on cost between 3.33% and 10% per annum.
Furniture, fittings and equipment	straight line on cost or reducing balance between 5% and 60% per annum.
Property, plant and equipment	reducing balance between 5% and 60% per annum.

Investment properties
Investment properties are carried at their fair values based upon the current market prices for comparable real estate and are determined annually. Valuations consider available market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Investments
Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with subsequent changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Stocks
Raw materials and consumables are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

The cost of work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the work to its present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell and the impairment loss is recognised immediately in profit or loss.

Long-term contract balances represent costs incurred net of amounts transferred to cost of sales 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 in profit or loss.

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

Cash and cash equivalents
Cash and cash equivalents can include cash in hand, call deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation at the reporting date as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations is small.

When the effect of the time value of money is material, the amount of a provision is the present value of the amount expected to be required to settle the obligation. The discount rate uses a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The risks specific to the liability are reflected either in the discount rate or in the estimation of the amounts required to settle the obligation, but not both.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividends
Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which contributions are paid into a pension fund and the Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all members the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expenses when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Defined benefit pension obligation
The Group operates two defined benefit pension schemes whereby a member will receive a pension benefit on retirement, usually dependent on one or more factors such as years of service and remuneration.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is measured using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields on high-quality corporate bonds at the reporting date that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Financial instruments
Classification
The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Recognition and measurement
Basic financial assets, including trade and other receivables, cash and bank balances and investments in short-term deposits, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised costs using the effective interest method.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are de-recognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, Senior loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of Senior loan facilities are recognised at transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year otherwise they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Basic financial liabilities, including trade and other payables, Senior loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of Senior loan facilities are recognised at transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year otherwise they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Impairment

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derivative financial instruments and hedging

Derivatives

Derivatives, including interest rate swaps, inflation swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss within finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Hedging

The Group applies hedge accounting for transactions entered into in order to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designed as cash flow hedges of floating rate borrowings.

Changes in fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in profit or loss.

The gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. Hedge accounting is discounted when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is de-recognised or the hedging instrument is terminated.

3 Turnover

The analysis of the Group's turnover for the year from continuing operations is as follows:

	2019 £ 000	(As restated) 2018 £ 000
Contracting	1,018,033	814,463
PPP concessions	32,581	38,250
Property	3,973	6,090
	1,054,587	858,803

In the prior year turnover included the interest received as part of Finance Debtor relating to the PPP assets. The amount of £11.2m in 2019 and £11.7m in 2018 has been reallocated to interest receivable (see note 7).

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

	2019 £ 000	2018 £ 000
United Kingdom	1,026,416	813,030
Caribbean / USA	28,171	45,773
	1,054,587	858,803

4 Other operating losses

The analysis of the group's other operating gains/(losses) for the year is as follows:

	2019 £ 000	2018 £ 000
Gain on disposal of property, plant and equipment	241	369
Loss on disposal and revaluations of investment properties	(850)	(884)
Gain on disposal of investments	-	10
	(609)	(505)

5 Operating profit

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Amortisation expense (see note 13)	984	985
Depreciation expense (see note 14)	9,481	8,731
Impairment reversal	-	(887)
Operating lease expense - property	3,776	4,153
Operating lease expense - plant and machinery	10,438	6,325
Profit on disposal of property, plant and equipment	(241)	(369)

6 Exceptional items

The results for the year include the following which are considered to be Exceptional items based on their size or non-recurring nature.

Following a strategic review in the prior year it was determined that the Group would no longer participate in the construction of "Energy from Waste" facilities, where there was contractual responsibility taken for process risk. The Group considered this to be a business stream exit. Consequently, all revenues and directly associated costs are presented as exceptional items to enable the users of the financial statements to get a better understanding of the results of the Group. The exited businesses do not meet the definition of discontinued operations as stipulated by FRS 102 because neither the business nor any assets related to it have been disposed of. Accordingly the disclosures within exceptional items differ from those applicable for discontinued operations. In the current year, a release of provision are included in cost of sales of £2.4m. In the prior year, turnover of £2.8m and cost of sales of £2.8m were recognized.

In the prior year included within Administrative Expenses are costs incurred as a result of the following:

• An operational redesign of the construction business incurred costs of £3.8m in 2018.

• On 30 November 2017, the decision was made to close the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme to future accrual, incurring one off costs of £9.9m (after 10% deduction relating to the allocation to RES).

• We have worked with our actuarial advisers to understand the implications of the Lloyds GMP judgement for the schemes in which the group participates and a cost of £1.6m reflects our best estimate of the effect on our reported pension liabilities.

Also in the prior year, included within Interest Payable and similar charges are costs of £5.05m incurred when a PPP subsidiary of the Group repaid the entirety of its senior debt.

7 Interest receivable and similar income

	2019 £ 000	(As restated) 2018 £ 000
Finance debtor interest	11,217	11,700
Interest income on investments	1,661	1,210
Bank interest receivable	872	851
Net gain on derivative	4,895	-
Foreign exchange gains	990	765
	19,635	14,526

In the prior year, turnover included the interest received as part of finance debtor relating to the PPP assets. This amount of £11.2m in 2019 and £11.7m in 2018 has now been reallocated to interest receivable and similar income.

8 Interest payable and similar charges

	2019 £ 000	(As restated) 2018 £ 000
Interest on bank loans and other borrowings	8,565	14,559
Interest on obligations under finance leases and hire purchase contracts	423	499
Foreign exchange losses	418	193
Net loss on derivative	-	380
Net interest expense on employee benefit liabilities	4,281	4,073
	13,687	19,704

In the prior year, the net interest expense on employee benefit liabilities has increased by £0.9m from £3.2m to £4.1m as a result of the pension equalisation adjustment (see note 23 for more details).

9 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	149,287	135,619
Social security costs	15,678	14,385
Pension costs, defined contribution scheme	6,489	5,698
Pension costs, defined benefit scheme	534	279
	171,988	155,981

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

	2019 No.	2018 No.
Average number employed in construction services during the year	2,297	2,182

The average number of employees of the Company during the year was 20 (2018 - 25).

10 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £ 000	(As restated) 2018 £ 000
Remuneration	1,521	1,871

Key management personnel compensation in both the current and prior year consists only of Directors' remuneration.

In the prior year, the Directors' remuneration included all Directors of the Newarthill group (which would include the Directors of all of the subsidiaries of Newarthill Limited), rather than the Directors of Newarthill Limited (i.e. the individual company) only.

During the year the number of Directors who were receiving benefits was as follows:

	2019 No.	2018 No.
Accruing benefits under defined benefit pension scheme	2	2

No directors (2018 - none) were members of defined contribution schemes.

In respect of the highest paid director:

	2019 £ 000	(As restated) 2018 £ 000
Remuneration	504	514

In the prior year, the highest paid Director analysis included all Directors of the Newarthill group (which would include the Directors of all of the subsidiaries of Newarthill Limited), rather than the Directors of Newarthill Limited (i.e. the individual company) only.

11 Auditor remuneration

	2019 £ 000	2018 £ 000
Audit of Parent Company	46	35
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	429	329
	475	364

Other fees to auditor

	2019 £ 000	2018 £ 000
Fees in respect of the audit of the associated pension schemes	21	23

12 Taxation

Tax credited/ (charged) in the profit and loss account

	2019 £ 000	(As restated) 2018 £ 000
Current taxation		
United Kingdom corporation tax	295	161
United Kingdom corporation tax adjustment to prior periods	-	(163)
	295	(2)
Foreign tax	-	32
Total current tax	295	30
Deferred taxation		
Arising from origination and reversal of timing differences	1,833	(1,567)
Total tax charge/(credit)	2,128	(1,537)

In the prior year, the amount arising from origination and reversal of timing differences of deferred tax has increased by £0.6m from £1.0m to £1.6m as a result of the pension equalisation adjustment (see note 23 for more details).

The differences between the total tax credit/(charge) shown above and the amount calculated by applying the standard rate of United Kingdom corporation tax of 19% (2018 - 19%) to the profit/(loss) before tax are as follows:

	2019 £ 000	(As restated) 2018 £ 000
Profit/(loss) before tax	20,687	(232)
Corporation tax at standard rate	3,931	(44)
Income not taxable in determining taxable profit	(7,163)	(4,423)
Expenses not deductible for tax purposes	5,647	2,806
Group relief surrendered/(received) for nil consideration	38	(47)
Remeasurement of deferred tax assets and liabilities due to changes in United Kingdom tax rate	(425)	300
Change in unrecognised deferred tax assets	1,495	37
Utilisation of tax losses not previously recognised	-	(3)
Adjustments to tax charge in respect of previous periods	(1,432)	(163)
Effect of oversea tax rates	37	-
Total tax charge/(credit)	2,128	(1,537)

Deferred tax

Group

Deferred tax assets and liabilities (see notes 19 and 22)

2019	Asset £ 000	Liability £ 000
Depreciation in excess of capital allowances	1,956	-
Short term timing differences	-	6,109
Losses	8,017	-
Revaluation of investment property	-	975
Retirement benefit obligations	27,108	-
	37,081	7,084

2018	Asset £ 000	Liability £ 000
Depreciation in excess of capital allowances	34	-
Short term timing differences	220	8,107
Losses	12,610	-
Revaluation of investment property	-	753
Retirement benefit obligations	26,609	-
	39,473	8,860

It is expected that £3,152,000 (2018 - £2,918,000) of the deferred tax assets and £517,000 (2018 - £650,000) of the deferred tax liabilities will reverse during the next year.

There are no unrecognised deferred tax liabilities (2018 - £Nil).

There are £34,381,000 (2018 - £33,094,000) of unrecognised deferred tax assets. These are analysed as follows:

	2019 £ 000	2018 £ 000
Accelerated capital allowances	4,291	4,799
Losses	29,103	27,097
Short term timing differences	987	1,198
	34,381	33,094

Company

Deferred tax assets and liabilities (see note 19)

Deferred tax assets of £26,204,000 have been recognised in respect of retirement benefit obligations (2018 - £20,274,000 in respect of retirement benefit obligations).

There are £1,048,000 (2018 - £1,932,000) of unrecognised deferred tax assets. These are analysed as follows:

	2019 £ 000	2018 £ 000
Accelerated capital allowances	10	12
Short term timing differences	1,038	768
Losses	-	1,152
	1,048	1,932

The United Kingdom corporation tax fell from 20% to 19% with effect from 1 April 2017.

13 Intangible assets

Group

	Goodwill £ 000
Cost	
At 1 November 2018	19,585
At 31 October 2019	19,585
Amortisation	
At 1 November 2018	14,841
Amortisation charge	984
At 31 October 2019	15,825
Carrying amount	
At 31 October 2019	3,760
At 31 October 2018	4,744

Goodwill is amortised over the expected useful lives of the assets purchased, which are estimated to range between 10 and 20 years.

No research and development costs were capitalised during the year (2018 - £Nil). The aggregate amount of research and development expenditure, in the field of civil engineering and construction, recognised as an expense during the year was £10.2m (2018 - £9.5m).

Company

The company had no intangible assets at 31 October 2019 (2018 - £Nil).

No research and development costs were capitalised during the year (2018 - £Nil) and no research and development costs were expensed during the year (2018 - £Nil).

14 Tangible assets

Group

	Freehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Property, plant and equipment £ 000	Total £ 000
Cost				
At 1 November 2018	25,682	18,535	57,966	102,183
Additions	2,699	2,452	10,339	15,490
Disposals	(109)	(529)	(5,765)	(6,403)
Foreign exchange movements	(49)	-	(123)	(172)
At 31 October 2019	28,223	20,458	62,417	111,098
Depreciation				
At 1 November 2018	11,928	15,004	32,613	59,545
Charge for the year	624	1,244	7,613	9,481
Eliminated on disposal	(84)	(127)	(3,916)	(4,127)
Foreign exchange movements	(10)	-	(95)	(105)
At 31 October 2019	12,458	16,121	36,215	64,794
Carrying amount				
At 31 October 2019	15,765	4,337	26,202	46,304
At 31 October 2018	13,754	3,531	25,353	42,638

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

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2019 £ 000	2018 £ 000
Property, plant and equipment	8,621	10,176

15 Investment properties

Group

	£ 000
At 1 November 2018	22,519
Disposals	(1,000)
Foreign exchange movements	(114)
At 31 October 2019	21,405

All investment properties are freehold. The comparable historical cost of the investment properties is £13.992m (2018 - £13.456m) and the comparable historical depreciation of the investment properties is £1.774m (2018 - £1.494m).

The wholly-owned investment properties, which are situated in the United Kingdom and the United States of America, were revalued by the Directors based upon internal recommendations made by qualified Chartered Surveyors and based on market values in both the current year and prior year.

In respect of £17,750m (2018 - £18,750m) of freehold investment properties there is in existence a fixed and floating charge and the remittance of rental income on these investment properties has been pledged as security.

16 Investments

Group

	2019 £ 000	2018 £ 000
Investments in joint ventures (see note 16a)	51,914	50,073
Investments in associates (see note 16b)	132	122
	52,046	50,195

16a Investments in joint ventures

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

Cost and carrying amount	Equity £ 000	Loans £ 000	Total £ 000
At 1 November 2018	32,886	17,187	50,073
Profit for the year	6,392	-	6,392
Dividends paid	(5,386)	-	(5,386)
Additions	1,968	-	1,968
Increase in loans	-	129	129
Repayments	-	(107)	(107)
Exchange rate adjustments	(1,188)	33	(1,155)
At 31 October 2019	34,672	17,242	51,914

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

16b Investments in associates

The carrying value of the Group's investments in associates was as follows:

Cost and carrying amount	Equity £ 000	Total £ 000
At 1 November 2018	122	122
Profit for the year	10	10
At 31 October 2019	132	132

See note 32 for a list of associates of the Group.

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

	£ 000
Cost	
At 1 November 2018 and 31 October 2019	132,527
Provision	
At 31 October 2019	-
Carrying amount	
At 31 October 2019	132,527
At 31 October 2018	132,527

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

17 Other financial assets

Group	**Unlisted securities**	**Loans**	**Total**
Cost	**£ 000**	**£ 000**	**£ 000**
At 1 November 2018	12,403	16,102	28,505
Additions		322	322
Dividend	-	(942)	(942)
Cost at 31 October 2019	12,403	15,482	27,885
Provisions			
At 1 November 2018	-	4	4
Charge	852	155	1,007
Disposals	-	178	178
At 31 October 2019	852	337	1,189
Carrying amount			
At 31 October 2019	11,551	15,145	26,696
At 31 October 2018	12,403	16,098	28,501

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

Loans are held at fair value where their fair value can be measured reliably. Where fair values cannot be measured reliably, loans are held at cost less impairment.

18 Stocks

	Group 2019 £ 000	Group 2018 £ 000
Raw materials and consumables	492	498
WIP and long-term contract balances	9,513	8,538
Properties held for development and sale	50,438	48,362
	60,443	57,398

19 Debtors

Due within one year:	Group 2019 £ 000	Group 2018 £ 000	Company 2019 £ 000	Company 2018 £ 000
Trade debtors	17,342	16,700	-	-
Financial assets	5,077	5,018	-	-
Amounts owed by related parties	-	-	51,164	32,047
Other debtors	22,962	17,386	1,673	-
Prepayments	18,161	14,308	537	354
Gross amount due from customers for contract work	90,444	127,443	-	-
Deferred tax assets (see note 12)	3,152	2,918	1,936	1,368
Corporation tax asset	1,415	1,480	-	-
	158,553	185,253	55,310	33,769

Due after one year:	Group 2019 £ 000	Group (As restated) 2018 £ 000	Company 2019 £ 000	Company 2018 £ 000
Financial assets	117,697	121,576	-	-
Other debtors	4,839	4,427	-	-
Gross amount due from customers for contract work	21,282	22,170	-	-
Deferred tax assets (see note 12)	33,929	36,555	24,241	24,307
	177,747	184,728	24,241	24,307

In the prior year, the deferred tax asset has increased by £5.4m from £31.2m to £36.6m as a result of the pension equalisation adjustment (see note 23 for more details).

Amounts owed by related parties, which include subsidiaries and associated undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand, except for those items disclosed in note 29.

20 Cash and cash equivalents

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Cash at bank	153,431	138,991	4,999	2,177
Short-term deposits	22,323	23,188	14,636	-
	175,754	162,179	19,635	2,177

Group
Short-term deposits held by the Group have an original maturity of 12 months or less. At the balance sheet date the average maturity of deposits was three months (2018 - three months). The average interest rate was 0.96% (2018 - 0.95%). They are measured at amortised cost.

Within the Group figures for short-term deposits is £17,150,000 (2018 - £17,992,000) and within cash at bank is £29,312,000 (2018 - £42,182,000) held under terms which are currently restrictive. These are held primarily by PPP Special Purpose Vehicles in both the current and prior years.

Company
The Company hold short-term deposits £14.6m (2018 - £nil) and the Company had no cash at bank held under terms which are currently restrictive (2018 - £nil).

21 Creditors

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Due within one year				
Loans and borrowings (see note 26)	8,766	8,629	-	-
Trade creditors	215,247	202,670	7	-
Amounts due to related parties	-	-	83,517	46,062
Social security and other taxes	6,021	5,779	62	38
Other payables	3,536	4,926	-	-
Accrued expenses	32,639	33,943	121	251
Deferred income	35,919	55,945	-	-
	302,128	311,892	83,707	46,351
Due more than one year				
Loans and borrowings (see note 26)	126,664	139,914	-	-
Trade creditors	15,597	14,752	-	-
Other payables	19,429	16,012	-	-
Deferred income	16,177	35,502	-	-
	177,867	206,180	-	-

Amounts due to related parties, which include subsidiaries and associated undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand, except for those items disclosed in note 29.

22 Provisions for liabilities

Group

	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 November 2018	8,860	5,062	13,922
Additional provisions	-	13,555	13,555
Provisions utilised	(1,776)	(3,900)	(5,676)
At 31 October 2019	7,084	14,717	21,801

See note 12 for a breakdown of the deferred tax liabilities.

Other provisions include provisions for expected future losses on completed contracts with remedial works identified. It is impracticable to estimate the timing of the utilisation of future losses. All amounts included within provisions have not been discounted.

Company

	Other provisions £ 000
At 1 November 2018	62
At 31 October 2019	62

Other provisions relate to compensation arrangements.

It is impracticable to estimate the timing of the compensation arrangements. All amounts included within provisions have not been discounted.

23 Pension and other schemes

Defined contribution pension schemes

Group
A subsidiary of the Group operates two defined contribution pension schemes where employee contributions are matched by company contributions. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £6,489,000 (2018 - £5,698,000). All costs were expensed as incurred and there were no amounts outstanding, by way of either amounts owing or commitments, at the year end (2018 - £Nil).

Defined benefit pension and other schemes

Group and Company
Newarthill Limited operates two defined benefit schemes - a staff scheme (The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme) and a senior executive scheme. The staff scheme has been closed to new members since 2002. On 30 November 2017, this scheme ceased accruing future benefits and all active members were transferred to the defined contribution scheme and became deferred members incurring one off costs of £9.9m after the 10% deduction allocated to Renewable Energy Systems Holdings Limited (RES).

Group
In addition, a subsidiary of the Group operates a post-retirement medical scheme for a number of former employees.

Pension equalisation adjustment

During the year, a discrepancy over the implementation of equalisation of past Member benefits was identified and an assessment resulted in a £31.8m adjustment to the pension scheme liability of the Group and the company. This has primarily been booked as opening balance adjustment as it relates to liabilities incurred prior to 1 November 2017.

The impact to the profit and loss statement in 2018 is the interest charge was understated by £0.9m, the deferred tax credit was understated by £0.6m and the other comprehensive income for the year ended 31 October 2018 was overstated by £0.3m.

The opening balance sheet as at 1 November 2017 has a prior year adjustment to the pension liability which has increased by £30.9m, the deferred tax asset has an increase of £4.8m and the profit and loss reserves have reduced by £26.1m.

The impact to the balance sheet as at 31 October 2018 is that the pension liability was understated by £31.8m, the deferred tax asset was understated by £5.4m and the profit and loss reserves were overstated by £26.4m.

Group 2019	Staff scheme £ 000	Executive scheme £ 000	Post-retirement medical scheme £ 000	Total £ 000
Total liability	157,761	7,556	5,374	170,691
Allocated outside of the Group	(15,778)	-	-	(15,778)
	141,983	7,556	5,374	154,913

2018	Staff scheme (restated) £ 000	Executive scheme £ 000	Post-retirement medical scheme £ 000	Total £ 000
Total liability	159,008	6,726	5,424	171,158
Allocated outside of the Group	(15,902)	-	-	(15,902)
	143,106	6,726	5,424	155,256

The closing balance for the Staff Scheme in 2018 prior to the adjustment was £111,336.

Company 2019	Staff scheme £ 000	Executive scheme £ 000	Total £ 000
Total liability	157,761	7,556	165,317
Allocated outside of the Group	(15,778)	-	(15,778)
	141,983	7,556	149,539

2018	Staff scheme (restated) £ 000	Executive scheme £ 000	Total £ 000
Total liability	159,008	6,726	165,734
Allocated outside of the Group	(15,902)	-	(15,902)
	143,106	6,726	149,832

The closing balance for the Staff Scheme in 2018 prior to the adjustment was £111,336.

The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme

Benefits are based upon pensionable pay. Until 31 December 2012, pensionable pay increased annually although this was capped dependent on a variety of factors. Any difference between actual salary and pensionable pay was paid into a defined contribution fund. From 1 January 2013, the pensionable pay was frozen and contributions based on this frozen element - with the difference continuing to be paid into the defined contribution fund. Depending on the level of contribution being made by the member, their final pension is based either on this frozen pensionable pay figure or will increase over time - dependent on a variety of factors. Employee contributions were matched by the employer. The assets of the scheme are held separately from those of the Group. The pension costs are assessed in accordance with the advice of an external, qualified actuary using the projected unit method. Total contributions (employer and employee) made during the year were £8,000,000 (2018 - £8,261,000).

The date of the most recent comprehensive actuarial valuation was 31 October 2015. The pension cost relating to the scheme is assessed in accordance with the advice of an external, qualified actuary using the projected unit method. The assumptions which have a significant effect on the results of the valuation are those relating to the rate of return on the investments and the rates of increases in salaries and pensions. The post-retirement rate of return uses the gilt yield curve +1.0% and the pre-retirement rate of return uses the gilt yield curve +2.25%. Salary increases are assumed to be 2.0% per annum and pension increases range between 2.5% and 5.0% depending on when the benefit was accrued. At the date of the latest actuarial valuation, the valuation showed a net deficit of £107.6m, with the market value of the scheme's investments amounting to £372.0m which was sufficient to cover 78% of the benefits that had accrued to members. The scheme has been closed to new entrants and under the projected unit method the current service cost will increase as the members approach retirement. Following cessation, this is no longer the case and accrued service costs are no longer applicable.

The total cost (before deduction of costs allocated outside of the Group) relating to the defined benefit scheme for the year recognised in profit or loss as an expense, including exceptional items, was £8,148,000 (2018 - £18,578,000).

The total cost relating to the defined benefit scheme for the year included in the cost of an asset was £Nil (2018 - £Nil).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amount included in the balance sheet arising from the Group's obligations in respect of its staff defined benefit scheme is as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	486,741	429,360
Present value of defined benefit obligation	(644,502)	(588,368)
Net liability recognised in the balance sheet	(157,761)	(159,008)

The above figures show the total scheme liability and do not deduct any amounts allocated outside of the Group.

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	£ 000
Present value at 1 November 2018	588,368
Current service cost	3,600
Interest cost	16,692
Actuarial gains and losses	65,256
Benefits paid	(29,414)
Present value at 31 October 2019	644,502

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	£ 000
Fair value at 1 November 2018	429,360
Interest income	12,144
Return on plan assets, excluding amounts included in interest income/(expense)	66,651
Employer contributions	8,000
Assets distributed on settlements	(29,414)
Fair value at 31 October 2019	486,741

Analysis of assets

The major categories of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Mult Asset fund	208,541	191,060
Cash	16,700	26,600
LDI	261,500	211,700
	486,741	429,360

Return on scheme assets

	2019 £ 000	2018 £ 000
Return on scheme assets	66,651	(12,469)

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group except for the two investments described below.

The entity's own financial instruments included in the fair value of scheme assets are as follows:

28% of the ordinary shares in Paget Health Services (Holdings) Limited are held by the pension scheme and the fair value of its investment at 31 October 2019 was £13,296,000 (2018 - £13,299,000). 13.125% of the ordinary shares in Autolink Holdings (M6) Limited are held by the pension scheme and the fair value of its investment at 31 October 2019 was £1,665,000 (2018 - £606,000).

Principal actuarial assumptions

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

	2019 %	2018 %
Discount rate	2.90	2.90
Retail Price Index (RPI) inflation	3.20	3.20
Consumer Price Index (CPI) inflation	2.10	2.10
Rate of increase in salaries	2.50	2.50
Rate of increase in pension payments	2.50 - 3.50	2.50 - 3.50

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	22.40	22.10
Current UK pensioners at retirement age - female	22.80	23.40
Future UK pensioners at retirement age - male	23.70	24.10
Future UK pensioners at retirement age - female	24.80	25.60

Plans that share risks between entities under common control

Newarthill Group shares the risks of the Scheme with Renewable Energy Systems Holdings Limited - an entity formerly held within the Newarthill Group but now separate although under common control.

The Scheme's deficit is shared between the Newarthill Group and the Renewable Energy Systems Holdings Limited Group. Newarthill Group recognises 90% of the costs and liabilities of the Scheme and Renewable Energy Systems Holdings Limited Group recognises 10%. The figures shown in this note represent the total scheme liability although movements and balances within the financial statements only recognise the 90% allocated to the Newarthill Group.

Contributions were based on a percentage of a member's pensionable salary which were matched by the employer. Additional contributions of £8.0m (2018 - £8.0m) have been made by the employer. Additional employer payments will continue in 2019 in line with the Recovery Plan and these will be shared in the same percentage ratio as noted above.

Executive Pension Scheme

The Group operates a separate defined benefit scheme for senior executives. The assets of the scheme are held separately from those of the Company. The pension cost relating to the scheme is assessed in accordance with the advice of an external, qualified actuary using the projected unit method. Actual contributions made were £458,000 (2018 - £671,000).

The date of the most recent comprehensive actuarial valuation was 31 October 2015. 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. The post-retirement rate of return uses the Bank of England stripped gilts nominal spot yield curve +0.5% and the pre-retirement rate of return uses the same yield curve +1.2%. Salary increases are assumed to be in line with inflation and pension increases range between 2.5% and 5.0%. At the date of the latest actuarial valuation, the valuation showed a net deficit of £3.7m.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £681,000 (2018 - £574,000).

The total cost relating to defined benefit schemes for the year included in the cost of an asset was £Nil (2018 - £Nil).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amount included in the balance sheet arising from the Group's obligations in respect of its executive defined benefit scheme is as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	31,731	29,203
Present value of defined benefit obligation	(39,287)	(35,929)
Net liability recognised in the balance sheet	(7,556)	(6,726)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	£ 000
Present value at 1 November 2018	35,929
Interest cost	493
Actuarial gains and losses	1,036
Employer contributions	2,238
Benefits paid, net of insurance annuity income	(409)
Present value at 31 October 2019	39,287

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	£ 000
Fair value at 1 November 2018	29,203
Interest income	848
Actuarial gains and losses	1,631
Employer contributions	458
Benefits paid net of insurance annuity income	(409)
Fair value at 31 October 2019	31,731

Analysis of assets

The major categories of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Equities	32	29
Broad Bonds	12,216	11,798
	12,248	11,827

Return on scheme assets

	2019 £ 000	2018 £ 000
Return on scheme assets	1,631	(507)

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group except for the two investments described below.

Principal actuarial assumptions

The principal actuarial assumptions are the same as the Staff Scheme, except for the following:

	2019 %	2018 %
Future salary increases	3.05	3.60
Future pension increases (max)	2.65	3.20

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	21.50	22.10
Current UK pensioners at retirement age - female	22.50	23.40
Future UK pensioners at retirement age - male	23.50	24.10
Future UK pensioners at retirement age - female	24.70	25.60

Post-retirement medical scheme

The Group provides unfunded post-retirement medical benefits for a number of its employees after retirement.

Reconciliation of scheme liabilities to liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2019 £ 000	2018 £ 000
Present value of scheme liabilities	(5,374)	(5,424)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	£ 000
Present value at 1 November 2018	(5,424)
Interest cost	(154)
Employer contributions	230
Change to assumptions	(26)
Present value at 31 October 2019	(5,374)

Principal actuarial assumptions

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

	2019 %	2018 %
Discount rate	2.00	2.90
Medical expenses inflation	9.00	9.50

Post retirement mortality assumptions

Mortality assumptions are the same as those used for the staff pension scheme.

24 Called up share capital

Group and company

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary of £1 each	7,103	7,103	7,103	7,103
A Ordinary of £0.0001 each	7,218	1	7,218	1
	14,321	7,104	14,321	7,104

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:
The holders of the 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.

A Ordinary shares have the following rights, preferences and restrictions:
The holders of the 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.

25 Reserves

Group

Share capital

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

2019	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
Unrealised gain/(loss) on cash flow hedges	(3,452)	(18)	(3,470)
Foreigncurrency translation losses	(1,198)	11	(1,187)
Remeasurement losses on pension and post- retirement medical schemes net of deferred tax	-	1,192	1,192
	(4,650)	1,185	(3,465)

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
Unrealised gain/(loss) on cash flow hedges	2,902	-	2,902
Foreign currency translation gains	861	750	1,611
Remeasurement losses on pension and post-retirement medical schemes net of deferred tax	-	(754)	(754)
	3,763	(4)	3,759

Company

Share capital

The two classes of shares and their rights are described in note 24.

Capital redemption reserve

The capital redemption reserves represents the price of the Company's re-purchase of its own shares.

Profit and loss account

The profit and loss account represents the Company's total retained earnings available for distribution.

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

2019	Profit and loss account £ 000	Total £ 000
Remeasurement gain on pension and post-retirement medical schemes net of deferred tax	1,192	1,192

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

2018	Profit and loss account £ 000	Total £ 000
Remeasurement gains on defined benefit pension schemes net of deferred tax	(180)	(180)

26 Loans and borrowings

	Group 2019 £ 000	2018 £ 000
Current loans and borrowings		
Finance leases	4,012	4,145
Senior loans	4,754	4,484
	8,766	8,629

	Group 2019 £ 000	2018 £ 000
Non-current loans and borrowings		
Finance leases	3,062	5,360
Senior loans	123,602	134,554
	126,664	139,914

Group

Included in the loans and borrowings are the following amounts due after more than five years:

	2019 £ 000	2018 £ 000
Senior loans after more than five years by instalments	93,024	107,640

Senior loans after five years
The Group has the following Senior loans:

£30,364,000 (2018 - £32,347,000) taken out by a subsidiary - Pinnacle Schools (Gateshead) Limited. The Senior loan accrues interest on a semi-annual basis at 0.95% above LIBOR plus MLA costs. The margin varies but will not exceed 0.95%. The Senior loan is due for repayment in 2032 and is secured over the assets of the subsidiary.

£29,605,000 (2018 - £30,050,000) taken out by a subsidiary - SRM (Redcar & Cleveland) Limited. The Senior loan accrues interest on a semi-annual basis at 0.6% above LIBOR plus reserve asset costs. The Senior loan is due for repayment in 2037 and is secured over the assets of the subsidiary.

£59,633,000 (2018 - £67,196,000) taken out by a subsidiary - Sir Robert McAlpine Road Holdings Limited. The Senior loan accrues interest on a semi-annual basis at 4% plus annual RPI. The Senior loan is due for repayment in 2027 and is secured over the assets of the subsidiary.

All Senior loans are repayable by non-equal instalment, which will be repaid in full on the repayment date.

27 Obligations under leases and hire purchase contracts

Group

Finance leases

Finance leases relate to the purchase of cranes used in the Group's construction activities. Cranes are classified as other property, plant and equipment in note 14. There are no contingent rental, renewal or purchase option clauses.

The total future minimum lease payments are as follows:

	2019 £ 000	2018 £ 000
Not later than one year	4,012	4,145
Later than one year and not later than five years	3,062	6,031
	7,074	10,176

Operating leases

The total future minimum lease payments are as follows:

	2019 £ 000	2018 £ 000
Not later than one year	1,146	3,136
Later than one year and not later than five years	7,923	5,940
Later than five years	-	575
	9,069	9,651

The amount of non-cancellable operating lease payments recognised as an expense during the year was £14,214,000 (2018 - £10,478,000).

Operating leases - lessor

The total future minimum lease payments are as follows:

	2019 £ 000	2018 £ 000
Not later than one year	96	96
Later than one year and not later than five years	1,066	1,330
Later than five years	502	563
	1,664	1,989

Total contingent rents recognised as income in the period are £1,675,000 (2018 - £1,571,000).

There are no contingent rental, renewal, purchase options, escalation clauses or restrictions imposed.

Company

Operating leases

The total future minimum lease payments are as follows:

	2019 £ 000	2018 £ 000
Not later than one year	232	232
Later than one year and not later than five years	116	367
	348	599

The amount of non-cancellable operating lease payments recognised as an expense during the year was £232,000 (2018 - £279,000).

28 Contingent liabilities

Group
There were contingencies in respect of the following:

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

Guarantees of performance of subsidiary and joint arrangements under funding and leasing agreements; and

Completed and uncompleted contracts.

29 Related party transactions

Group
There were transactions amounting to £47.3m (2018 - £21.7m) in respect of construction and other contracts on normal commercial terms with various joint arrangements, of which £8.0m (2018 - £8.2m) was owing at the year end and included within debtors due within one year (note 19).

There were transactions amounting to £26.8m (2018 - £11.8m) in respect of construction and other contracts on normal commercial terms with joint ventures and unlisted investments, of which £nil (2018 - £0.1m) was owing at the year end and included within debtors due within one year (note 19).

Included within other financial assets (note 17) are loan balances of £3.5m (2018 - £3.5m) and unlisted securities of £11.6m (2018 - £12.4m) owing from McAulay (Tudor House) Limited and McAulay (Market Buildings) Limited respectively. The loan balances have a fair value of £4.0m (2018 - £4.0m). The unlisted securities have an impairment against them of £0.9m (2018 - £1.0m). A number of Directors have an interest in both of these companies.

At the year end, BCM McAlpine Limited owed the Group £58.7m (2018 - £57.6m). During the year no recoveries were received. (2018 - £nil). During the year the Group increased the provision against this balance by £3.1m (2018 - increased the provision against this balance by £5.1m). BCM McAlpine Limited is a jointly controlled entity.

Included within turnover were management fees of £0.1m (2018 - £0.1m) received from various joint ventures, of which £nil (2018 - £nil) was outstanding at the year end.

Company
The company's related party transactions were with wholly-owned subsidiaries and so have not been disclosed.

30 Financial instruments

Group

Categorisation of financial instruments 2019	Loans and receivables £ 000	Financial assets at fair value through profit or loss £ 000	Derivatives at fair value through profit or loss £ 000	Derivatives used for hedging £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Trade receivables	129,068	-	-	-	-	129,068
Other receivables	23,420	-	-	-	-	23,420
Investment in short-term deposits	22,323	-	-	-	-	22,323
Joint ownership properties	-	1,190	-	-	-	1,190
McAuley (Tudor House) Limited	-	3,091	-	-	-	3,091
PPP financial assets	-	122,774	-	-	-	122,774
Redcar RPI swaps	-	-	3,591	-	-	3,591
Derivative financial instruments	-	-	-	(21,168)	-	(21,168)
Senior loans	-	-	-	-	(128,356)	(128,356)
Finance leases	-	-	-	-	(7,074)	(7,074)
Trade creditors	-	-	-	-	(230,845)	(230,845)
Accruals	-	-	-	-	(84,736)	(84,736)
Other creditors	-	-	-	-	(1,793)	(1,793)
	174,811	127,055	3,591	(21,168)	(452,804)	(168,515)

Categorisation of financial instruments 2018	Loans and receivables £ 000	Financial assets at fair value through profit or loss £ 000	Derivatives at fair value through profit or loss £ 000	Derivatives used for hedging £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Trade receivables	166,314	-	-	-	-	166,314
Other receivables	18,177	-	-	-	-	18,177
Short-term deposits	23,188	-	-	-	-	23,188
Joint ownership properties	-	1,223	-	-	-	1,223
Loans	-	3,648	-	-	-	3,648
PPP financial assets	-	126,594	-	-	-	126,594
Inflation swaps	-	-	2,413	-	-	2,413
Interest rate swaps	-	-	-	(18,187)	-	(18,187)
Senior loans	-	-	-	-	(139,038)	(139,038)
Finance leases	-	-	-	-	(10,176)	(10,176)
Trade creditors	-	-	-	-	(215,698)	(215,698)
Accruals	-	-	-	-	(125,390)	(125,390)
Other creditors	-	-	-	-	(2,751)	(2,751)
	207,679	131,465	2,413	(18,187)	(493,053)	(169,683)

Financial assets measured at fair value

PPP financial assets

Assets constructed by the Group's PPP concession companies are classified as financial assets which are held at fair value with changes being recorded in profit or loss. During the operational phase, fair value is determined by discounting the future cash flows allocated to the financial asset using discount rates based on long-term gilt rates adjusted for the risk levels associated with the assets. During the year there was a decrease in gilt rates resulting in a fair value loss being taken through profit or loss.

The adjustment for risk level premiums vary between 1.5% and 2.9% dependent on the time to maturity and the jurisdiction of the asset.

The fair value is an asset of £122,774,000 (2018 - £126,594,000) and the change in value included in profit or loss is a loss of £3,820,000 (2018 - £1,102,000).

Derivative financial instruments - inflation swap

The Group has entered into inflation swaps to pay income at RPI and receive income at a fixed rate of 3.445% for maturities ranging between 2018 and 2038. The swaps are based on a principal semi-annual amount of £778,000. The fair value has been determined by discounting the future cash flows of the inflation swaps.

The instrument is used to hedge the Group's exposure to RPI on income relating to a subsidiary's PPP unitary charge income.

Cash flows on the income and the inflation swap are paid semi-annually.

The fair value is an asset of £3,591,000 (2018 - £2,413,000) and the change in value included in profit or loss is a gain of £1,178,000 (2018- loss of £380,000)

Cash flow hedges

Interest rate swap

The Group has entered into a cash flow hedge to receive interest at floating rates of interest and pay interest at fixed rates of between 4.41% and 5.03% for maturities ranging between 2018 and 2037.

The hedging arrangement fixes the total interest payable on the Senior loans to between 5.21% and 5.63%.

During 2019, a hedging loss of £3,492,000 (2018 - gain of £2,902,000) net of deferred tax was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

The swaps are based on a principal amount of £67,558,000, part of the principal amount of the Group's Senior loan facilities, and mature on the same dates as the Senior loans.

The fair value liability of the financial instruments designated as hedging instruments at 31 October 2019 is £21,168,000 (2018 - £18,187,000).

The instruments are used to hedge the Group's exposure to interest rate movements on the Senior loans.

Cash flows on the Senior loans and the interest rate swaps are paid semi-annually.

The amount reclassified from equity to profit or loss for the year is £Nil (2018 - £Nil).

The amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows that was recognised in profit or loss for the year is £Nil (2018 - £Nil).

31 Parent and ultimate parent undertaking

The immediate parent and ultimate controlling party is The McAlpine Partnership Trust, of which certain trustees are Directors of the Company.

32 Subsidiaries and related undertakings

All subsidiaries, associated undertakings and other significant holdings are shown below. Except where otherwise stated, the companies are incorporated in Great Britain and registered at Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR. The subsidiaries marked by * have taken advantage of the exemption from an audit in accordance with Section 479A of the Companies Act 2006. The Company has provided a guarantee to each of these subsidiaries in compliance with Section 479C. The entities marked by ^ are held directly by the Company. The entities marked by # are either jointly controlled entities or associates and their results and financial position are included in these consolidated financial statements using the equity method of accounting.

Company	Registered company number	Country of incorporation / registration	Interest in shares
Civil engineering and building			
Bankside Electrical Contractors Limited	00970503 *		100% ordinary
British Contracts Company Limited			100% ordinary
Derby Joinery Limited			100% ordinary
McAlpine Limited		Cayman Islands	100% ordinary
McAlpine Offshore Limited			100% ordinary
Partnership Insurance Company		Cayman Islands	100% ordinary
Sir Robert McAlpine Limited			100% ordinary
Sir Robert McAlpine (Holdings) Limited ^			100% ordinary
Sir Robert McAlpine Management Contractors Limited	01157770 *		100% ordinary
St. Blaise (1998) Limited			81.68% ordinary
BCM McAlpine Limited #		Bermuda	40% ordinary
McAlpine (Cayman) Limited #		Cayman Islands	40% ordinary

McAlpine Limited's registered address is 190 Elgin Avenue, Grand Cayman, KY1-9005.
Partnership Insurance Company's registered address is 62 Forum Lane, 3rd Floor, Camana Bay, PO Box 30600, Grand Cayman, KY1-1203.
BCM McAlpine Limited's registered address is 48 St. John's Road, Pembroke, Bermuda, HM 07.
McAlpine (Cayman) Limited's registered address is 190 Elgin Avenue, Grand Cayman, KY1-9005.

Company	Registered company number	Country of incorporation / registration	Interest in shares
Property development and investments			
Abacus Developments Limited	01038942	*	100% ordinary
Abacus Projects Limited	01460919	*	100% ordinary
Abacus Property Holdings Limited			100% ordinary
ADL Ventures Limited	02891389	*	100% ordinary
Axis Land Partnerships Limited	10284645	*	100% ordinary
Brickworth Developments Limited ^	00777501	*	100% ordinary
Cardiff Gate Business Park Limited	02617988	*	100% ordinary
Concert Bay Limited	05227029	*	100% ordinary
ConstructEnergy Limited	01498746	*	100% ordinary
McAlpine Park Lane Inc.		U.S.A.	100% ordinary
McAlpine Properties Limited		Cayman Islands	100% ordinary
MC Alpine Enterprises Limited			100% ordinary
Merlot Developments Limited	06048528	*	100% ordinary
Miltons Shoot 2011 Limited			100% ordinary
Oak Court Estates (Langstone, Mon.) Limited	00869982	*	100% ordinary
Oak Court Management Company (Coventry) Limited			100% ordinary
Oakus Developments Limited	04452226	*	100% ordinary
Raglan Development Limited	09854957	*	100% ordinary
Robert McAlpine Enterprises Limited			100% ordinary
Sir Robert McAlpine Enterprises Limited ^			100% ordinary
Sir Robert McAlpine Healthcare Limited			100% ordinary
White Rock Business Park Limited			82% ordinary
Tempus Ten (Management) Limited			54% ordinary
Cable Swan Limited	10390283		50% ordinary
CEPF II Charles Street Manchester Developments Limited	11168796		50% ordinary
EHC International Limited #			50% ordinary
EHC Marrakech Limited #			50% ordinary
EHC Malaysia Limited #			50% ordinary
Endeavour UK 4 Limited #			50% ordinary
Jersey Waterfront Group Holdings I Limited #		Jersey	50% ordinary
Jersey Waterfront Group Holdings II Limited #		Jersey	50% ordinary
Jersey Waterfront Group Holdings III Limited #		Jersey	50% ordinary
Jersey Waterfront Hotel Holding Limited #		Jersey	50% ordinary
Jersey Waterfront Hotel Management Limited #		Jersey	50% ordinary

Company	Registered company number	Country of incorporation / registration	Interest in shares
Property development and investments (continued...)			
Jersey Waterfront Hotel (Central Apartments) Limited #		Jersey	50% ordinary
Jersey Waterfront Hotel Development Limited #		Jersey	50% ordinary
McGreen Estates Limited #			50% ordinary
MSDL Holdings Limited #	11357148		50% ordinary
MSDL Properties Limited #	10865339		50% ordinary
Red Kite Securities Limited #			50% ordinary
Scarmac Limited #			50% ordinary
Springfield Village Estate Limited	11164792		50% ordinary
STEP Springfield Village Limited	11153704		50% ordinary
UK LP Gore Street Limited			50% ordinary
Consortium 220 LLP #			33.33% ordinary
UBW Limited #		Cayman Islands	20% ordinary
Walton Wagner Limited #			20% ordinary

McAlpine Park Lane Inc's registered address is 3200 Bailey Lane, Suite 199, Naples, FL 34105.
McAlpine Properties Limited's registered address is 4th floor Queengate Building, 113 South Church Street, PO Box 1994, Grand Cayman.
Miltons Shoot 2011 Limited's registered address is Calyx House, South Road, Taunton, Somerset, TA1 3DU.
Endeavour UK 4 Limited's registered address is 11 Elmbank Street, Glasgow, United Kingdom, G2 4PB.
Jersey Waterfront Group Holdings I Limited and all Jersey Waterfront group companies registered addresses are The Radisson Blu, Rue de L'Etau, St Helier, Jersey, JE2 3WF.
Scarmac Limited's registered address is Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ.
UK LP Gore Street Limited's registered address is Carlyle House, 78 Chorley New Road, Bolton, Lancashire, BL1 4BY.
Consortium 220 LLP's registered address is Duddingston House, Milton Road West, Edinburgh, EH15 1RB.
UBW Limited's registered address is 2nd floor Harbour Place, PO 472103 South Church Street, Grand Cayman, KY1-1106.
Walton Wagner Limited's registered address is Portland House 21 Narborough Road, Cosby, Leicester, LE9 1TA.

Company	Registered company number	Country of incorporation / registration	Interest in shares
PPP investments			
Aura Learning Communities Limited			100% ordinary
Autolink Concessionaires (A19) Limited			100% ordinary
Autolink Holdings (A19) Limited			100% ordinary
Pinnacle Schools (Gateshead) Holdings Limited			100% ordinary
Pinnacle Schools (Gateshead) Limited			100% ordinary
Pinnacle Schools Limited			100% ordinary
Sir Robert McAlpine Capital Ventures Limited			100% ordinary
Sir Robert McAlpine Healthcare (Dawlish) Limited	03319534	*	100% ordinary
Sir Robert McAlpine Road Holdings Limited			100% ordinary
Sir Robert McAlpine (A19) Limited			100% ordinary

Company	Country of incorporation / registration	Interest in shares
PPP investments (continued...)		
Sir Robert McAlpine (M6) Limited		100% subsidiary
SRM (Redcar & Cleveland) Holdings		100% subsidiary
SRM (Redcar & Cleveland) Limited		100% subsidiary
Paget Health Services (Holdings) Limited #	Bermuda	58% ordinary
Paget Health Services Limited #	Bermuda	58% ordinary
Endeavour UK 4 Limited #		50% ordinary
Autolink Concessionaires (M6) plc #		19.5% ordinary
Autolink Holdings (M6) Limited #		19.5% ordinary

Paget Health Service (Holdings) Limited and Paget Health Service Limited's registered address is Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda.

33 Prior Year Adjustments

Finance Debtor Interest reclass

The PPP turnover is recognised by allocating a proportion of total cash received over the life of the project to service costs by means of a deemed constant rate of return on those costs. The residual element of projected cash is allocated to the financial asset using the effective interest rate method, giving rise to interest income which was historically recorded in turnover.
The directors consider that disclosing the interest income allocated to the financial asset using the effective interest rate method as finance income provides a fairer presentation of the operations of these companies and brings the policy into line with industry practice. The comparative figures in the primary statements and notes have been restated to reflect the new policy.
The effect of the change in policy to the results are summarised below:

Decrease in turnover - £11,217,179 (2018 : £11,699,538)
Decrease in gross profit - £11,217,179 (2018: £11,699,538)
Decrease in operating profit/ (loss) - £11,217,179 (2018: £11,699,538)
Increase in interest receivable and similar income - £11,217,179 (2018: £11,699,538)
Impact on profit/(loss) for the financial year - £Nil (2018: £Nil)

Pension equalisation adjustment

During the year, a discrepancy over the implementation of equalisation of past Member benefits was identified and an assessment resulted in a £31.8m adjustment to the pension scheme liability of the Group and the company. This has primarily been booked as opening balance adjustment as it relates to liabilities incurred prior to 1 November 2017.
The impact to the profit and loss statement in 2018 is the interest charge was understated by £0.9m, the deferred tax credit was understated by £0.6m and the other comprehensive income for the year ended 31 October 2018 was overstated by £0.6m.
The opening balance sheet as at 1 November 2017 has a prior year adjustment to the pension liability which has increased by £32.2m, the deferred tax asset has an increase of £5.5m and the profit and loss reserves have reduced by £26.7m.
The impact to the balance sheet as at 31 October 2018 is that the pension liability was understated by £31.8m, the deferred tax asset was understated by £5.4m and the profit and loss reserves were overstated by £26.4m.

The effect of the change is summarised below;

Increase in finance costs - £943,000 (2018 - £891,000)
Increase in OCI credit - £1,886,000 (2018 - £1,277,000)
Decrease in Deferred tax charge £1,529,000 (2018 - £620,000)
Increase in OCI deferred tax charge £1,485,000 (2018 - £686,000)
Increase in Pension liability £30,647,000 (2018 - £31,770,000)
Increase in Deferred tax asset £5,445,000 (2018 - £5,400,000)

34 Events after the reporting date

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements.

Steps to mitigate the impact on the Group from COVID-19 have been implemented as described more fully in the Strategic report.

The directors have reviewed the cashflow scenario models and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements (see note 1 for further details).

Independent Auditor's Report to the Members of Newarthill Limited

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

In the light of our knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tobias Wright
....
Tobias Wright (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor

London, United Kingdom

Date: 16 October 2020