

NEWARTHILL LIMITED

Annual Report & Accounts 31st October 2004



NEWARTHILL LIMITED

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NEWARTHILL LIMITED

Directors and Advisers

Directors

Malcolm H D McAlpine
The Hon. Sir William H McAlpine, Bt.
Ian M McAlpine MA
The Hon. David M McAlpine
Cullum McAlpine
Paddy H Walker-Taylor FCA, MCT (resigned 30 June 2004)

Secretary

B Raymond Cowen B.Com, CA(SA)

Registered Office

40 Bernard Street
London
WC1N 1LG

Auditors

Deloitte & Touche LLP
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

Bankers

Lloyds TSB Bank Plc
11-15 Monument Street
London
EC3V 9JA

NEWARTHILL LIMITED

Report of the Directors

The Directors present their annual report together with the audited financial statements of the Group for the year ended 31st October 2004.

Results and Dividends

It is frustrating to report that for the second year running the results of the Group have been seriously affected by the Dudley Hospitals PFI contract. This contract which was completed on the 31st March 2005 incurred losses of £72.4m for the year. The challenges of carrying out extensive refurbishment in a complex environment, continuing difficulty in agreeing the scope of the works and little or no co-operation from the Dudley Health Trust resulted in the contract being delivered late and at huge cost. The Trust has also instructed a significant amount of additional works which have not been processed through the change mechanisms and therefore no payment has been received from the Trust. We are pursuing recovery of these amounts and the associated costs of delay. As a matter of policy the Group will no longer bid for any healthcare PFI projects which contain a significant refurbishment element.

The loss before taxation for the group was £26.2m. Excluding the impact of the Dudley contract from both years, operating profit and profit before tax have improved significantly. Free cash and short term deposits increased by £18.0m during the year to a total of £97.8m at the year end.

Excluding Dudley our construction results are very encouraging with all regions producing profits. Two major contracts which commenced during the year, Colchester PFI and Arsenal Stadium, are going well and all of our regions traded profitably. Major new contracts won during the year included No. 2 Hardman Street, Manchester and 77 Grosvenor Street for Grosvenor Estates and our work in hand remains at a high level.

Our Wind Energy business continued to invest heavily in development expenditure in our core markets and a significant pipeline of projects is being built up. The Group has decided to invest in a greater proportion of the wind farm assets that it develops. As part of this strategy the company acquired the remaining 50% of the shares in our French venture EOLE-RES. Whilst this policy will reduce profitability in the short term, it will produce significantly enhanced and stable profits and cash flow in the medium and long term.

Within our Aviation Group a review of the pilot training business that commenced in 2003 showed that this would not be profitable and therefore we disposed of our share in the business.

Our property development activities continued to produce profitable results both within our Abacus Developments Company and in joint venture with other developers.

Our PFI interests, apart from Dudley proceeded well. During the year we disposed of our 40% shareholding in Summit Holdings (Wishaw) Limited resulting in a profit of £10.6m which is available to invest in new projects.

No final dividend is recommended.

During the last two years, the now completed Dudley contract has resulted in very disappointing results but the financial position of the Group remains very strong. Cash flow remains strong and of total loans of £112m, £97.8m were in respect of our A19 PFI subsidiary and Project Financed wind farm assets.

Principal Activities

The business of the Group is that of civil engineering and building contractors, wind energy, property development and aviation.

Directors

Directors' interests in the Company are shown in note 8. Cullum McAlpine and the Hon. David McAlpine retire by rotation and, being eligible, offer themselves for re-election.

Going Concern

The Board confirms that it is satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis in the preparation of the accounts.

Employees

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

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

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

Environmental Issues

The Group is committed to identifying and complying with all applicable legislation and statutory controls and developing an Environmental Management System to comply with ISO 14001.

Charitable and Political Donations

Donations for charitable purposes amounted to £292,579. There were donations totalling £1,250 made to Conservative Party organisations.

Change of Name and Status

On 8th October 2004, the company changed its name and status from Newarthill p.l.c. to Newarthill Limited.

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Payments to Creditors

The Group agrees terms and conditions for business transactions with its suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier.

During the year to 31 October 2004 the Group paid its suppliers of goods and services and subcontractors on average within 30 days (2003: 31 days) of receipt of invoice or certification. This average excludes amounts not currently due for payment but included within trade creditors.

Auditors

In accordance with S.385, Companies Act 1985, a resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board



B R Cowen
Secretary

40 Bernard Street
London
WC1N 1LG

29 April 2005

NEWARTHILL LIMITED

Directors' Responsibilities for the Financial Statements

United Kingdom law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the financial statements the Directors are required to:

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWARTHILL LIMITED

We have audited the financial statements of Newarthill Limited for the year ended 31 October 2004 which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the Group note of historical cost profits and losses and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Directors' Responsibilities for the Financial Statements, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and any other irregularities.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 October 2004 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

2005

NEWARTHILL LIMITED

Group Profit and Loss Account

For the year ended 31st October 2004

	Notes	Before Except- ional Items 2004 £000	Except- ional Items (note 4) 2004 £000	After Except- ional Items 2004 £000	Before Except- ional Items 2003 £000	Except- ional Items (note 4) 2003 £000	After Except- ional Items 2003 £000
Turnover including share of joint ventures - continuing operations	1,2	846,675	-	846,675	928,841	-	928,841
Less share of joint ventures' turnover		(24,832)	-	(24,832)	(28,904)	-	(28,904)
Group turnover - continuing operations		821,843	-	821,843	899,937	-	899,937
Cost of sales		(751,722)	(75,526)	(827,248)	(860,162)	(25,195)	(885,357)
Gross profit/(loss)		70,121	(75,526)	(5,405)	39,775	(25,195)	14,580
Administrative expense		(34,064)	-	(34,064)	(32,703)	(542)	(33,245)
Group operating profit/(loss) - continuing operations		36,057	(75,526)	(39,469)	7,072	(25,737)	(18,665)
Share of operating profit in joint ventures	3			8,006			7,827
Operating loss including joint ventures	2			(31,463)			(10,838)
Profit on sale of investments				16,308			1,441
Loss on ordinary activities before interest				(15,155)			(9,397)
Investment income and interest receivable							
Group				9,418			6,627
Joint ventures				944			1,559
	5			10,362			8,186
Amounts written (off)/back on investments				(404)			341
Interest payable and similar charges							
Group				(8,372)			(3,789)
Joint ventures				(12,644)			(14,646)
	6			(21,016)			(18,435)
Loss on ordinary activities before taxation	7			(26,213)			(19,305)
Taxation on loss on ordinary activities	9			2,789			2,536
Loss on ordinary activities after taxation				(23,424)			(16,769)
Equity minority interests	20			134			307
Retained loss for the financial year	22, 23			(23,290)			(16,462)

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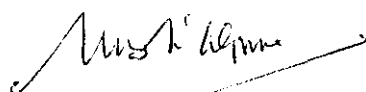
Balance Sheets

As at 31st October 2004

		Group		Company	
	Notes	2004 £000	2003 £000	2004 £000	2003 £000
FIXED ASSETS					
Intangible assets	10	30,987	21,285	-	-
Tangible assets	11	91,895	90,795	-	-
Investments in joint ventures					
Share of gross assets		99,939	146,499	-	-
Share of gross liabilities		(106,861)	(160,578)	-	-
	12	(6,922)	(14,079)	-	-
Other fixed asset investments	13	16,464	15,734	31,097	31,097
		<u>132,424</u>	<u>113,735</u>	<u>31,097</u>	<u>31,097</u>
CURRENT ASSETS					
Stocks	14	62,543	55,072	-	-
Debtors - due within one year	15	167,325	143,950	78,641	68,526
- due after one year	15	59,604	61,933	-	-
Investments - short term deposits	16	32,513	51,377	14,987	30,498
Cash at bank and in hand	16	107,566	59,926	25,495	1,260
		<u>429,551</u>	<u>372,258</u>	<u>119,123</u>	<u>100,284</u>
CREDITORS -					
Amounts falling due within one year	17	330,318	227,517	123,623	91,105
NET CURRENT ASSETS/(LIABILITIES)		<u>99,233</u>	<u>144,741</u>	<u>(4,500)</u>	<u>9,179</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>231,657</u>	<u>258,476</u>	<u>26,597</u>	<u>40,276</u>
CREDITORS - Amounts falling due after more than one year	18	133,622	130,379	-	-
PROVISIONS FOR LIABILITIES AND CHARGES	19	20,481	16,256	1,563	1,048
MINORITY INTERESTS - INCLUDING NON-EQUITY	20	2,548	2,395	-	-
		<u>156,651</u>	<u>149,030</u>	<u>1,563</u>	<u>1,048</u>
		<u>75,006</u>	<u>109,446</u>	<u>25,034</u>	<u>39,228</u>
CAPITAL AND RESERVES					
Called up share capital	21	7,405	8,726	7,405	8,726
Capital redemption reserve	22	14,869	13,548	14,869	13,548
Revaluation reserve	22	3,737	4,500	-	-
Other reserves	22	(806)	2,353	682	-
Profit and loss account	22	49,801	80,319	2,078	16,954
SHAREHOLDERS' FUNDS		<u>75,006</u>	<u>109,446</u>	<u>25,034</u>	<u>39,228</u>

These financial statements were approved by the Board of Directors on 29 April 2005.
Signed on behalf of the Board of Directors.

M H D McAlpine



Director

NEWARTHILL LIMITED

Group Cash Flow Statement

For the year ended 31st October 2004

	Notes	2004 £000	2003 £000
Net cash inflow/(outflow) from Group operating activities (see below)		34,710	(961)
Dividends received from joint ventures		-	487
Returns on investments and servicing of finance	26(a)	2,531	1,027
Taxation		1,356	-
Capital expenditure and financial investment	26(a)	(8,258)	(7,598)
Acquisitions and disposals	26(a)	1,008	(59,569)
Cash inflow/(outflow) before management of liquid resources and financing		<u>31,347</u>	<u>(66,614)</u>
Management of liquid resources	26(b)	18,618	4,173
Financing	26(a)	(7,411)	9,414
Increase/(decrease) in cash in the year		<u>42,554</u>	<u>(53,027)</u>
Reconciliation of Group operating loss to Group operating cash flows			
Operating loss		(39,469)	(18,665)
Depreciation charges		8,711	8,671
Amortisation charges		1,645	680
Increase in stocks		(6,592)	(6,907)
(Increase)/decrease in debtors		(25,463)	13,385
Increase/(decrease) in creditors		92,011	(1,687)
Increase in provisions		3,867	3,562
Net cash inflow/(outflow) from Group operating activities		<u>34,710</u>	<u>(961)</u>
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year		42,554	(53,027)
Cash flow from decrease in debt and lease financing		(847)	(13,092)
Cash flow from decrease in liquid resources		(18,618)	(4,173)
Changes in net funds resulting from cash flows	26(b)	<u>23,089</u>	<u>(70,292)</u>
Exchange movements	26(b)	(635)	894
Movement in net funds in the year		<u>22,454</u>	<u>(69,398)</u>
Net (debt)/funds at the start of the year		(5,247)	64,151
Net funds/(debt) at the end of the year	26(b)	<u>17,207</u>	<u>(5,247)</u>

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Statement of Total Recognised Gains and Losses

For the year ended 31st October 2004

	2004 £000	2003 £000
Loss for the financial year attributable to the shareholders	(23,290)	(16,462)
Unrealised (deficit)/surplus on revaluation of investment properties	(255)	109
Unrealised exchange loss on foreign currency net investments	(2,582)	(2,085)
Other recognised gains and losses relating to the year	(2,837)	(1,976)
Total recognised gains and losses relating to the year	<u>(26,127)</u>	<u>(18,438)</u>

Note of Historical Cost Profits and Losses

For the year ended 31st October 2004

	2004 £000	2003 £000
Reported loss on ordinary activities before taxation	(26,213)	(19,305)
Realisation of property revaluation gains of previous years	506	-
Difference between the historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	(84)	(87)
Historical cost loss on ordinary activities before taxation	<u>(25,791)</u>	<u>(19,392)</u>
Historical cost loss for the year after taxation, minority interests and dividends	<u>(22,868)</u>	<u>(16,549)</u>

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Notes to the Accounts

1. ACCOUNTING POLICIES

The Group's financial statements have been prepared in accordance with applicable United Kingdom accounting standards. These accounting policies have been applied consistently throughout the current and preceding years.

The particular policies adopted by the Directors are described below.

Accounting conventions

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

Basis of consolidation

The Group's financial statements incorporate the assets and liabilities of all subsidiaries as at 31st October 2004 and their results for the year ended on that date.

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

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

The Group's cumulative share of post acquisition reserves in joint ventures has been taken from the most recent audited financial statements of the companies concerned and where the audited financial statements are non-coterminous and cover a year ended before 31 October 2004, from subsequent unaudited management accounts and include adjustments to reflect Group accounting policies. Joint ventures are those companies in which the Group has a participating interest and exercises influence over their management.

Joint arrangements

In accordance with Financial Reporting Standard No. 9, Associates and Joint Ventures (which requires departure from the Companies Act 1985), the Group accounts for its joint arrangements by taking its share of the profit and loss account, assets, liabilities and cash flows on a proportional consolidation basis.

Joint ventures

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

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

Accounting for PFI contracts

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

Life cycle costs are realised as incurred and the directly related turnover is recognised in proportion to these costs.

Foreign currencies

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

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and 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.

The Group has entered into foreign currency futures contracts in order to reduce the exposure to exchange rate fluctuations.

Turnover

Turnover represents the value of work carried out and services supplied to clients of the Group during the year including the Group's share of turnover in joint ventures and gross property income.

Tangible fixed assets

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

Depreciation

Plant and equipment are depreciated over their estimated useful economic lives at declining rates based on their written down values or on a straight line basis. The rates vary between 5% and 50% per annum.

Buildings occupied for trading purposes are written off over their estimated remaining useful lives by equal annual instalments. Leases are written off by equal annual instalments over the remainder of the lease. No depreciation is provided on investment properties and freehold land.

Finance leases

Assets held under finance leases and hire-purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Operating leases

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

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Notes to the Accounts

1. ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties. Any fall in value below original cost which is expected to be permanent, is taken to the profit and loss account.

The Companies Act 1985 requires all properties to be depreciated. However, the requirements conflict with the generally accepted accounting principle set out in SSAP 19, Accounting for Investment Properties. The Directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view.

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

Investments

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

Stocks and work in progress

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

Properties held for development and sale

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

Amounts recoverable on contracts

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

Financial instruments

Interest differentials, under swap agreements used to vary the amounts and period for which interest rates on borrowings are fixed, are recognised by adjustment of interest payable.

Deferred taxation

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

Retirement benefits

The expected costs to the Group of pensions in respect of defined benefit pension schemes and post-retirement health care (notes 27 and 28) are charged each year to the profit and loss account so as to spread the cost of pensions and post-retirement healthcare over the service lives of employees in the schemes.

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Notes to the Accounts

2. SEGMENTAL ANALYSIS

	Turnover		Operating (loss)/profit	
	2004 £000	2003 £000	2004 £000	2003 £000
Turnover and operating (loss)/profit				
Business segment:				
Contracting	697,372	785,283	(54,152)	(19,949)
Property	8,192	15,633	2,778	3,083
PFI Concessions (including Joint Ventures)	39,468	33,997	13,445	9,104
Wind Energy	53,825	49,092	8,352	(2,914)
Aviation	47,818	44,836	(1,886)	(162)
	<u>846,675</u>	<u>928,841</u>	<u>(31,463)</u>	<u>(10,838)</u>

All Joint Venture Turnover and Operating Profit is included within PFI Concessions other than Turnover of £1,436,000 (2003: £1,084,000) and Operating Loss of £998,000 (2003: loss of £562,000) which is included within Contracting.

Included within PFI concessions turnover and operating profit is £8,008,000 (2003: £10,014,000) of PFI deemed interest.

	Turnover		Operating (loss)/profit	
	2004 £000	2003 £000	2004 £000	2003 £000
Geographical segment (by origin):				
United Kingdom (including Joint Ventures)	794,819	884,352	(42,830)	(6,960)
USA and Caribbean	28,305	34,692	(634)	(3,188)
Europe	23,551	9,797	12,001	(690)
	<u>846,675</u>	<u>928,841</u>	<u>(31,463)</u>	<u>(10,838)</u>

	2004 £000	2003 £000		2004 £000	2003 £000
Net assets			Geographical segment:		
Business segment:			United Kingdom	(47,999)	18,069
Contracting	(70,908)	784	USA and Caribbean	22,574	17,377
Property	22,350	25,691	Europe	2,747	(10)
PFI Concessions	(32,883)	(37,623)			
Wind Energy	50,901	36,476			
Aviation	7,862	10,108			
	<u>(22,678)</u>	<u>35,436</u>		<u>(22,678)</u>	<u>35,436</u>
Investments	16,456	15,735	Investments	16,456	15,735
Taxation	(7,349)	(7,857)	Taxation	(7,349)	(7,857)
Net cash	88,577	66,132	Net cash	88,577	66,132
	<u>75,006</u>	<u>109,446</u>		<u>75,006</u>	<u>109,446</u>

3. SHARE OF OPERATING PROFIT IN JOINT VENTURES

	2004 £000	2003 £000
Operating loss	(2)	(2,187)
PFI deemed interest	8,008	10,014
	<u>8,006</u>	<u>7,827</u>

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Notes to the Accounts

4. EXCEPTIONAL ITEMS

Exceptional items consist of the loss made on the Dudley Hospitals PFI contract, as noted in the Directors' Report and losses made by a subsidiary following a decision by the Group to wind down operations.

	2004 £000	2003 £000
The total charge is made up from:		
Dudley Hospitals PFI contract	72,356	23,815
Wind down of subsidiary's operations	3,170	1,922
	<u>75,526</u>	<u>25,737</u>

Had the exceptional items not been incurred, there would be a taxable profit made by the Group. As a result, there would be no unrecognised or recognised deferred tax assets and a potential tax charge of £7.6m after taxation adjustments. In 2003, the exclusion of the exceptional losses would have resulted in a potential tax charge of £1.6m after taxation adjustments.

5. INVESTMENT INCOME AND INTEREST RECEIVABLE

	2004 £000	2003 £000
Income from listed investments	334	338
Income from unlisted investments	2,465	530
Interest receivable and similar income	7,563	7,318
	<u>10,362</u>	<u>8,186</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
Bank loans and overdrafts	17,452	16,311
Other loans	3,564	2,124
	<u>21,016</u>	<u>18,435</u>

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £000	2003 £000
Loss on Ordinary Activities before Taxation is arrived at after charging:		
Depreciation - owned assets	8,455	8,428
- leased assets	256	243
Amortisation of goodwill	1,645	718
Operating leases - land and buildings	3,363	2,741
Plant hire and leasing	6,232	6,349
Auditors' remuneration:		
Audit fees - current year - Group (Company 2004: £21,500, 2003: £30,000)	398	355
- prior year - Group	75	-
IT consultancy (capitalised)	561	1,278
Tax	156	246
Consultancy	15	113
	<u>2004 £000</u>	<u>2003 £000</u>
Directors:		
Aggregate emoluments of the Directors of the Company:		
Salaries and taxable benefits	1,423	1,379
Pensions	383	375
	<u>1,806</u>	<u>1,754</u>

NEWARTHILL LIMITED

Notes to the accounts

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

	2004 £000	2003 £000
Staff costs including Directors' emoluments:		
Wages and salaries	85,307	86,060
Social security costs	8,389	8,586
Other pension costs	8,701	8,912
	<u>102,397</u>	<u>103,558</u>

	Number	Number
Average number employed during the year including Directors	2,406	2,467

	2004	2003
Emoluments of the highest paid Director are as follows:		
Aggregate emoluments excluding pension contributions	£286,395	£281,269

Retirement benefits are accruing to four (2003: five) Directors under defined benefit schemes.

The pension benefits accruing to the highest paid Director were £123,555 (2003: £112,690).

8. DIRECTORS' INTERESTS

The interests of the Directors in shares of the Company are set out below.

	At 31 st October 2004 Ordinary Shares	At 31 st October 2003 Ordinary Shares
Beneficial		
Malcolm H D McAlpine	519,455	519,455
The Hon. Sir William H McAlpine, Bt.	-	63,013
The Hon. David M McAlpine	122,985	122,985
Cullum McAlpine	-	394,258
 The Hon. Sir William H McAlpine, Bt.) Ian M McAlpine) The Hon. David M McAlpine) and Cullum McAlpine)	 6,469,008	 6,469,008
Non Beneficial		
Malcolm H D McAlpine) and Ian M McAlpine)	229,492	558,985
 The Hon. Sir William H McAlpine, Bt.	39,000	39,000

No Director is beneficially interested in the share capital of any subsidiary undertaking.

Interest in contracts

During the year there were no transactions or arrangements involving Directors of the Company or its subsidiaries, which are required to be disclosed in accordance with S.232 of the Companies Act 1985.

NEWARTHILL LIMITED

Notes to the Accounts

9. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
(Credit)/charge on the loss for the year:		
United Kingdom Corporation Tax at 30% (2003: 30%) - current year	39	2
Consortium relief claimed	-	(55)
Overseas taxation	53	(658)
Taxation on Group's share of profits of joint ventures	(104)	55
Total current year tax	(12)	(656)
Prior year adjustments:		
UK Corporation tax	(51)	(180)
Consortium relief claimed	-	711
Taxation on Group's share of profits of joint ventures	151	(1,897)
Total prior year adjustments	100	(1,366)
	88	(2,022)
Deferred tax charge:		
Origination and reversal of timing differences	(2,877)	(514)
	(2,789)	(2,536)
Factors affecting the tax credit for the current period:		
	2004 £000	2003 £000
Loss on ordinary activities before tax	(26,213)	(19,305)
United Kingdom Corporation Tax at 30% (2003: 30%)	(7,864)	(5,792)
Disallowable expenditure	2,748	707
Non - taxable income	(7,580)	(2,080)
Depreciation in excess of capital allowances	193	-
Losses utilised	11,915	(14)
Timing differences on losses	2,229	-
Use of group companies' capital losses	(2,615)	-
Overseas taxation	(328)	-
Prior year adjustments	100	(1,366)
Other timing differences	1,290	6,523
	88	(2,022)

A deferred tax asset has been recognised in respect of losses carried forward and the net asset is included in Debtors Falling Due After One Year (see note 15). Deferred tax assets have not been recognised in respect of depreciation in excess of capital allowances, short term timing differences and additional losses as there is insufficient evidence that the assets will be recovered. The amount of the assets not recognised is £26,408,000 (2003: £18,710,000). The assets would be recovered if there are sufficient taxable profits in future years.

The unprovided deferred tax asset is analysed as follows:-

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Depreciation in excess of capital allowances	6,235	(2,750)	2	3
Short term timing differences	5,814	4,801	470	265
Losses	14,359	16,659	930	841
	26,408	18,710	1,402	1,109

NEWARTHILL LIMITED

Notes to the Accounts

10. INTANGIBLE FIXED ASSETS

	Goodwill £000	Amortisation £000	Net Book Value £000
As at 1 st November 2003	22,550	(1,265)	21,285
Exchange rate adjustment	(149)	17	(132)
Additions (see below)	11,479	-	11,479
Amortisation charge in the year	-	(1,645)	(1,645)
As at 31 st October 2004	<u>33,880</u>	<u>(2,893)</u>	<u>30,987</u>

Goodwill is amortised over the expected useful economic lives, which vary between 5 and 20 years.

On 14 June 2004 Renewable Energy Systems Limited, a subsidiary of Sir Robert McAlpine Enterprises Limited, purchased the outstanding share capital of Eole RES S.A. Of this consideration, £7,424,000 has been paid in cash and the balance is deferred and payable dependent upon future trading results.

Goodwill purchased will be amortised over the expected useful economic life of the acquisition, which is deemed to be 20 years.

	Book Value £000	Revaluations £000	Fair Value £000
Assets and liabilities at the time of purchase:			
Fixed assets	13,410	4,792	18,202
Current assets	6,408	-	6,408
Creditors: amounts falling due within one year	(12,562)	-	(12,562)
Creditors: amounts falling due after more than one year	(9,232)	-	(9,232)
	<u>(1,976)</u>	<u>4,792</u>	<u>2,816</u>
Fair value to the Group (50%)			1,408
Consideration paid			12,887
Goodwill arising on acquisition			<u>11,479</u>

A revaluation of the fixed assets took place at the time of the purchase to reflect the market value of the assets.

NEWARTHILL LIMITED

Notes to the Accounts

11. TANGIBLE FIXED ASSETS

Group

	Total £000	Investment properties £000	Land and buildings £000	Plant and equipment £000
Cost or valuation				
As at 1 st November 2003	151,172	6,164	33,743	111,265
Exchange rate adjustment	133	-	(145)	278
Additions	20,489	-	884	19,605
Disposals	(7,136)	(875)	(856)	(5,405)
Disposal of subsidiary	(8,758)	-	-	(8,758)
Reclassification	-	-	(615)	615
Revaluation deficit	(255)	(255)	-	-
As at 31 st October 2004	155,645	5,034	33,011	117,600
Depreciation				
As at 1 st November 2003	60,377	-	8,977	51,400
Exchange rate adjustment	(88)	-	(52)	(36)
Provision for the year	8,711	-	704	8,007
Disposals	(3,994)	-	(62)	(3,932)
Disposal of subsidiary	(1,256)	-	-	(1,256)
As at 31 st October 2004	63,750	-	9,567	54,183
Net book value as at 31st October 2004	91,895	5,034	23,444	63,417
Net book value as at 31 st October 2003	90,795	6,164	24,766	59,865
At cost	84,893	-	21,476	63,417
At valuation	7,002	5,034	1,968	-
	91,895	5,034	23,444	63,417
The net book value of land and buildings comprises:				
Freehold			20,758	
Long leasehold			1,178	
Short leasehold			1,508	
			23,444	
Comparable historical costs	153,384	2,895	32,889	117,600
Comparable historical depreciation	65,226	1,427	9,616	54,183

Wholly owned investment properties which are all situated in the United Kingdom were revalued by the directors during the year based upon internal recommendations made by qualified chartered surveyors. This resulted in a net deficit of £255,000 (2003: net surplus of £109,000) and this has been taken directly to reserves. The valuations were undertaken in accordance with SSAP 19, Accounting for Investment Properties and are based on market values at 31 October 2004.

The net book value of plant and equipment includes £1,568,000 (2003: £831,000) in respect of assets held under finance leases.

NEWARTHILL LIMITED

Notes to the Accounts

12. INVESTMENTS IN JOINT VENTURES

Group	Share of Net Assets £000	Joint Venture Loans £000	Total £000
At cost and net book value			
As at 1 st November 2003	(19,996)	5,917	(14,079)
Exchange rate adjustment	4	-	4
Additions	-	7,141	7,141
Decrease in reserves	(3,740)	-	(3,740)
Repayment of loans	-	(178)	(178)
Disposal of joint venture	6,870	(2,940)	3,930
As at 31 st October 2004	<u>(16,862)</u>	<u>9,940</u>	<u>(6,922)</u>
Made up from:			
Shares	2,672		
Share of post acquisition reserves	(19,534)		
	<u>(16,862)</u>		

The share of gross assets and liabilities for 2004 are as follows:

	Share of assets		Share of liabilities		
	Fixed assets 2004 £000	Current assets 2004 £000	Due within one year 2004 £000	Due after more than one year 2004 £000	Total 2004 £000
Autolink Holdings (M6) Ltd	-	26,011	(3,528)	(27,725)	(5,242)
Summit Holdings (Dudley) Ltd	-	48,103	(1,998)	(48,781)	(2,676)
Pinnacle Schools (Fife) Holdings Ltd	-	23,187	(394)	(23,048)	(255)
Others	691	1,947	(1,387)	-	1,251
	<u>691</u>	<u>99,248</u>	<u>(7,307)</u>	<u>(99,554)</u>	
Total share of assets/(liabilities)		<u>99,939</u>		<u>(106,861)</u>	<u>(6,922)</u>

NEWARTHILL LIMITED

Notes to the Accounts

12. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The share of gross assets and liabilities for the prior year are as follows:

	Share of assets		Share of liabilities		Total 2003 £000
	Fixed assets 2003 £000	Current assets 2003 £000	Due within one year 2003 £000	Due after more than one year 2003 £000	
Autolink Holdings (M6) Ltd	-	25,490	(2,906)	(27,756)	(5,172)
Summit Holdings (Wishaw) Ltd	-	50,978	(2,219)	(52,648)	(3,889)
Summit Holdings (Dudley) Ltd	-	43,455	(1,901)	(47,725)	(6,171)
Pinnacle Schools (Fife) Holdings Ltd	-	23,315	(414)	(23,654)	(753)
Others	785	2,476	(1,296)	(59)	1,906
	<u>785</u>	<u>145,714</u>	<u>(8,736)</u>	<u>(151,842)</u>	
Total share of assets/(liabilities)		<u>146,499</u>		<u>(160,578)</u>	<u>(14,079)</u>

The share of turnover and profit/(loss) for 2004 are as follows:

	Turnover	Profit/(loss) before Tax	Tax	Profit/(loss) after tax
	2004 £000	2004 £000	2004 £000	2004 £000
Autolink Holdings (M6) Ltd	3,462	4	104	108
Summit Holdings (Wishaw) Ltd	9,017	268	(60)	208
Summit Holdings (Dudley) Ltd	7,921	(3,404)	(92)	(3,496)
Pinnacle Schools (Fife) Holdings Ltd	2,996	498	-	498
	<u>23,396</u>	<u>(2,632)</u>	<u>42</u>	<u>(1,782)</u>

The share of turnover and profit/(loss) for 2003 are as follows:

	Turnover	Profit/(loss) before Tax	Tax	Profit/(loss) after tax
	2003 £000	2003 £000	2003 £000	2003 £000
Autolink Concessionaires (A19) Ltd	5,688	1,632	(30)	1,602
Autolink Holdings (M6) Ltd	5,786	(9)	(186)	(195)
Summit Holdings (Wishaw) Ltd	8,953	(783)	450	(333)
Summit Holdings (Dudley) Ltd	6,704	(4,049)	1,425	(2,624)
Pinnacle Schools (Fife) Holdings Ltd	688	(1,414)	-	(1,414)
	<u>27,819</u>	<u>(3,203)</u>	<u>1,385</u>	<u>(2,222)</u>

NEWARTHILL LIMITED

Notes to the Accounts

13. OTHER FIXED ASSET INVESTMENTS

Group

	Total £000	Listed and Unlisted Securities £000	Other Loans £000
Cost or valuation			
As at 1 st November 2003	25,151	19,266	5,885
Exchange rate adjustments	(45)	(45)	-
Additions	9,105	1,131	7,974
Disposals	(9,382)	(5,764)	(3,618)
As at 31 st October 2004	24,829	14,588	10,241
	£000	£000	£000
Provisions			
As at 1 st November 2003	9,417	6,896	2,521
Exchange rate adjustments	(45)	(45)	-
Charge in the year	404	295	109
Disposals	(1,411)	(1,411)	-
As at 31 st October 2004	8,365	5,735	2,630
Net book value as at 31st October 2004	16,464	8,853	7,611
Net book value as at 31 st October 2003	15,734	12,370	3,364
Valuation of listed securities:		2004 £000	2003 £000
Net book value		3,759	5,662
Market value		4,570	8,149

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

Company: Other investments

Shares in subsidiary companies are stated at cost: £31,097,000 (2003: £31,097,000). Details of principal subsidiaries are shown in note 33a.

14. STOCKS

	2004 £000	Group 2003 £000
Materials and consumables	5,745	5,551
Properties held for development and sale	42,681	36,178
Work in progress	14,117	13,343
	62,543	55,072

NEWARTHILL LIMITED

Notes to the Accounts

15. DEBTORS

	<u>Group</u>		<u>Company</u>	
	2004 £000	2003 £000	2004 £000	2003 £000
Amounts falling due within one year:				
Finance debtor	226	193	-	-
Amounts recoverable on contracts	108,118	83,609	-	-
Trade debtors	16,136	11,667	-	-
Amounts owed by group undertakings	-	-	77,227	68,323
Amounts owed by joint arrangements	1,237	2,643	-	-
Amounts owed by joint ventures	1,979	1,636	-	-
Other debtors	29,549	23,808	1,235	-
Taxation	1,501	3,467	-	-
Prepayments and accrued income	8,579	16,927	179	203
	<u>167,325</u>	<u>143,950</u>	<u>78,641</u>	<u>68,526</u>
Amounts falling due after one year:				
Finance debtor	48,364	48,591	-	-
Amounts recoverable on contracts	7,673	12,213	-	-
Amounts owed by joint ventures	354	354	-	-
Deferred taxation	2,400	-	-	-
Other debtors	813	775	-	-
	<u>59,604</u>	<u>61,933</u>	<u>-</u>	<u>-</u>
	<u>226,929</u>	<u>205,883</u>	<u>78,641</u>	<u>68,526</u>

A deferred tax asset has been recognised at year end (2003: £Nil) and relates to trading losses. The directors are of the opinion that, following the completion of the Dudley Hospitals PFI contract, whose results are shown as exceptional items, the level of profits in the ensuing financial years will be sufficient to recover the asset. Deferred tax assets not recognised are disclosed in note 9.

16. INVESTMENTS - SHORT TERM DEPOSITS AND CASH AT BANK

Investments - short term deposits include £Nil (2003: £1.3m) and cash at bank includes £32.4m (2003: £26.1) held under terms which are currently restricted.

17. CREDITORS: DUE WITHIN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank overdrafts	9,876	4,109	-	-
Loans (see Note 24)	12,452	4,909	-	-
Obligations under Finance leases	237	165	-	-
Payments on account	-	394	-	-
Trade creditors	214,858	157,313	-	-
Amounts owed to group undertakings	-	-	122,419	89,153
Amounts owed to joint ventures	336	-	-	-
Taxation and social security	7,349	8,036	1,049	1,821
Other creditors	5,068	5,937	-	-
Accruals	80,049	46,654	155	131
Deferred income	93	-	-	-
	<u>330,318</u>	<u>227,517</u>	<u>123,623</u>	<u>91,105</u>

NEWARTHILL LIMITED

Notes to the Accounts

18. CREDITORS: DUE AFTER MORE THAN ONE YEAR

	2004 £000	Group 2003 £000
Loans (see Note 24)	99,542	106,832
Obligations under Finance leases falling due within one to two years	298	176
Obligations under Finance leases falling due within two to five years	467	359
Trade creditors	7,305	7,438
Other creditors	4,685	335
Accruals	-	591
Deferred income	21,325	14,648
	<u>133,622</u>	<u>130,379</u>

19. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	Total £000	Deferred taxation £000	Pension provisions £000	Other provisions £000
As at 1 st November 2003	16,256	1,785	10,346	4,125
Charged/(credited) to profit and loss account	3,867	(477)	4,543	(199)
Utilised during this year	358	358	-	-
As at 31 st October 2004	<u>20,481</u>	<u>1,666</u>	<u>14,889</u>	<u>3,926</u>
Deferred taxation in respect of:				
Depreciation in excess of capital allowances		11,539		
Short term timing difference		362		
Losses		(10,235)		
		<u>1,666</u>		

Company

	Total £000	Pension provisions £000	Other provisions £000
As at 1 st November 2003	1,048	564	484
Charged to profit and loss account	515	473	42
As at 31 st October 2004	<u>1,563</u>	<u>1,037</u>	<u>526</u>

There was no unprovided liability to deferred taxation at the year end (2003: £Nil).

Other provisions relate to post-retirement medical benefits (see note 28) and warranties.

NEWARTHILL LIMITED

Notes to the Accounts

20. MINORITY INTEREST INCLUDING NON-EQUITY

	Total £000	Equity £000	Non-equity £000
Group			
As at 1 st November 2003	2,395	503	1,892
Exchange rate adjustments	27	-	27
Credited to the profit and loss account	(134)	(134)	-
Additions	260	-	260
As at 31 st October 2004	2,548	369	2,179

Non-equity interests consist of B shares held in a subsidiary, where holders are not entitled to vote at general meetings other than in respect of any resolution to increase the authorised share capital of the subsidiary.

21. CALLED UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	2004 £000	2003 £000	2004 £000	2003 £000
Equity				
Ordinary shares of £1 each	16,772	16,772	7,405	8,726
Capital shares of £1 each	752	752	-	-
Unclassified shares of £1 each	226	226	-	-
Non-equity				
6.775% cumulative preference shares of £1 each	4,750	4,750	-	-
	22,500	22,500	7,405	8,726

On 16 April 2004, 799,405 shares were purchased by the Company for a total consideration of £4,996,281. On 10 June 2004, 175,358 shares were purchased by the Company for a total consideration of £1,095,988. On 16 September 2004, 346,543 shares were purchased by the Company for a total consideration of £2,165,894. In all cases, the price paid was £6.25 per share.

22. RESERVES

	Total £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Group					
As at 1 st November 2003	100,720	13,548	4,500	2,353	80,319
Retained loss for the year	(23,290)	-	-	-	(23,290)
Share buy back	(6,937)	1,321	-	-	(8,258)
Realisation of revaluation reserve	-	-	(506)	-	506
Revaluation of investment properties	(255)	-	(255)	-	-
Net differences on exchange	(2,582)	-	-	(2,582)	-
Realisation of other reserves upon liquidation of subsidiary	-	-	-	(327)	327
Realisation of exchange gains	-	-	-	(250)	250
Purchase of preference shares in subsidiary	(55)	-	-	-	(55)
Transfer of differences between historic cost and revalued cost depreciation	-	-	(2)	-	2
As at 31 st October 2004	67,601	14,869	3,737	(806)	49,801
Company					
As at 1 st November 2003	30,502	13,548	-	-	16,954
Retained loss for the year	(6,618)	-	-	-	(6,618)
Net differences on exchange	682	-	-	682	-
Share buy back	(6,937)	1,321	-	-	(8,258)
As at 31 st October 2004	17,629	14,869	-	682	2,078

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Notes to the Accounts

22. RESERVES (CONTINUED)

The revaluation reserve comprises surpluses arising on the revaluation of investment properties (2003: including investment properties in joint arrangement) which if realised at their revalued amounts would give rise to a taxation liability of £Nil (2003: £Nil). Realisation of the revaluation reserve relates to depreciation arising on a property previously revalued.

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

As permitted by S.230 of the Companies Act 1985 no profit and loss account of the parent company is presented. The loss after tax of the Company for the year was £6,618,000 (2003: loss £5,816,000).

Retained loss for the year is made up as follows:

	2004 £000	2003 £000
Parent company	(6,618)	(5,816)
Subsidiaries and joint arrangements	(12,932)	(7,045)
Joint ventures	(3,740)	(3,601)
	<u>(23,290)</u>	<u>(16,462)</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Loss for the financial year	(23,290)	(16,462)
Other recognised gains and losses relating to the year	(2,837)	(1,976)
Purchase of own shares	(8,258)	-
Purchase of shares in subsidiary company	(55)	-
Net deduction from shareholders' funds	<u>(34,440)</u>	<u>(18,438)</u>
Opening shareholders' funds	109,446	127,884
Closing shareholders' funds	<u>75,006</u>	<u>109,446</u>

24. LOANS

	2004 £000	2003 £000
Repayments of all loans falling due:		
Within one year	12,452	4,909
Between one and two years	5,127	10,498
Between two and five years	17,702	15,096
In five years or more	76,713	81,238
	<u>111,994</u>	<u>111,741</u>

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Notes to the Accounts

24. LOANS (CONTINUED)

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

	2004 £000	2003 £000
Sterling:		
Repayable 1998 - 2010 by equal instalments (a)	6,625	7,659
Repayable 2000 - 2012 by non-equal instalments (a)	-	6,291
Repayable 2001 - 2015 by non-equal instalments (a)	10,514	6,012
Repayable 2003 - 2017 by non-equal instalments (a)	4,091	4,309
Repayable 2003 - 2018 by non-equal instalments (a)	9,105	9,450
Repayable 2003 - 2023 by non-equal instalments (b)	4,375	-
Repayable 2001 - 2024 by non-equal instalments (c)	17,746	18,161
Repayable 2001 - 2024 by non-equal instalments (d)	48,094	49,167
Repayable 2001 - 2024 by non-equal instalments (e)	3,257	3,203
	<u>103,807</u>	<u>104,252</u>

(a) These loans are at variable rates of interest between 1% and 1.5% over LIBOR or EURIBOR.

(b) Interest on this loan is fixed at 6.78%.

(c) Interest is variable, being 0.9% above LIBOR plus MLA cost.

(d) Interest on this loan is at 6.748%.

(e) Interest is variable, being 4.5% above LIBOR.

Interest rate swaps have been used to reduce the Group's exposure to fluctuating interest rates. Loans (a) are secured by fixed and floating charges on the assets of the Group companies which received the loans and are arranged on a limited recourse basis, restricting the lenders' recourse to the assets of those companies. Loan (b) is secured over a property held by a subsidiary. Loans (c) to (e) are secured by a fixed and floating charge over the assets of Autolink Concessionaires (A19) Limited. Loan (e) is subordinate to loans (c) and (d).

25. RELATED PARTY TRANSACTIONS

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

Joint Ventures

There were transactions amounting to £109.0m (2003: £63.1m) with respect to construction and other contracts on normal commercial terms with various joint ventures.

At 31st October 2004 £0.6m (2003: £0.9m) was due from a 74% owned subsidiary and £0.3m (2003: £0.3m) was due from a 60% owned subsidiary.

Also, included within Debtors Due within One Year are balances of £5.1m (2003: £2.9m) owing from McAulay Market Buildings Limited, £4.4m (2003: £2.1m) owing from McAulay Tudor House Limited and £Nil (2003: £1.0m) owing from McAulay Developments Limited in which a number of Directors have an interest.

Details of the Group's joint ventures are set out in note 33c. Investments in and loans to joint ventures are set out in Note 12 and other amounts due to or from joint ventures are shown in Notes 15 and 17.

Ultimate Controlling Party

The ultimate controlling party of the Company is The McAlpine Partnership Trust, of which certain of the trustees are Directors of the Company. Directors' interests are shown in Note 8.

NEWARTHILL LIMITED

Notes to the Accounts

26. CASH FLOW STATEMENT

a. Analysis of cash flows for headings netted in cash flow statement

	2004 £000	2003 £000
Returns on investments and servicing of finance		
Interest received	10,811	4,737
Interest paid	(8,280)	(3,710)
Net cash inflow from returns on investments and servicing of finance	<u>2,531</u>	<u>1,027</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(11,456)	(16,286)
Receipts from sale of tangible fixed assets	4,402	3,930
Payments for investments	(9,105)	(864)
Receipts from sale of investments	11,924	2,044
Receipt of fixed asset loans	-	4,614
Payment of loans to joint ventures	(7,141)	(1,490)
Repayment of loans by joint ventures	3,118	454
Net cash outflow from capital expenditure and financial investment	<u>(8,258)</u>	<u>(7,598)</u>
Acquisitions and disposals		
Purchase of shares in subsidiaries	(7,219)	(10,099)
Net loans acquired with purchased subsidiaries	(5,216)	(49,470)
Receipts from sale of subsidiary	7,972	-
Receipts from sale of joint venture	3,755	-
Net cash acquired with purchase of subsidiary	1,716	-
Net cash inflow/(outflow) from acquisitions and disposals	<u>1,008</u>	<u>(59,569)</u>
Financing		
Repayment of loans	(3,937)	(4,660)
New secured loans	4,482	13,885
Capital element of finance lease rental payments	(165)	(102)
New finance leases undertaken	467	291
Purchase of own shares	(8,258)	-
Net cash (outflow)/inflow from financing	<u>(7,411)</u>	<u>9,414</u>

b. Analysis of net funds

	At 1 Nov 2003 £000	Cash flow £000	Acquired with subsidiaries £000	Exchange movements £000	At 31 Oct 2004 £000
Cash at bank and in hand	59,926	46,605	1,716	(681)	107,566
Overdrafts	(4,109)	(5,767)	-	-	(9,876)
	<u>55,817</u>	<u>40,838</u>	<u>1,716</u>	<u>(681)</u>	<u>97,690</u>
Loans due after one year	(106,832)	11,627	(4,616)	279	(99,542)
Loans due within one year	(4,909)	(6,956)	(600)	13	(12,452)
Finance leases	(700)	(302)	-	-	(1,002)
	<u>(56,624)</u>	<u>45,207</u>	<u>(3,500)</u>	<u>(389)</u>	<u>(15,306)</u>
Current asset investments	51,377	(18,618)	-	(246)	32,513
Total	<u>(5,247)</u>	<u>26,589</u>	<u>(3,500)</u>	<u>(635)</u>	<u>17,207</u>

NEWARTHILL LIMITED

Notes to the Accounts

27. RETIREMENT BENEFITS

The Group operates two defined benefit pension schemes providing benefits based on final pensionable pay. These are the Group scheme and the Executive scheme. The assets of both schemes are held separately from those of the Group. The pension costs relating to the schemes are assessed in accordance with the advice of an external, qualified actuary using the projected unit method. Actual contributions made were £4,962,000 (2003: £4,496,000).

The latest actuarial valuation of the Group scheme was at 31 October 2003. The assumptions which have a significant effect on the results of the valuation are those relating to the rate of return on the investments and the rates of increases in salaries and pensions. It was assumed that the investment return would exceed the rate of salary increases by 2% per annum and the rate of pension increases by 3.8% per annum or 3.5% per annum to the extent that the pension was earned by service subsequent to 5 April 1997. At the date of the latest actuarial valuation, the market value of the scheme's investments amounted to £216.5m and the actuarial value of these investments was sufficient to cover 90% of the benefits that had accrued to members.

The Executive Scheme covers the pensions of a number of Directors and senior employees.

28. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Group provides post-retirement medical insurance benefits for a number of its employees after retirement. The Group recognises the obligation by spreading forward the cost over the expected service lives of relevant employees. In calculating the obligation it was assumed that long term medical expenses inflation would average 10.5% per annum. The amount provided at 31 October 2004 is £2,631,000 (2003: £2,421,000) and the charge for the year is £382,000 (2003: £461,000).

NEWARTHILL LIMITED

Notes to the Accounts

29. RETIREMENT BENEFITS - TRANSITIONAL DISCLOSURES FOR FINANCIAL REPORTING STANDARD 17

The retirement benefit schemes and the post-retirement medical benefits are described in notes 27 and 28. The actuarial valuation described in note 27 has been updated at 31st October 2004 by a qualified actuary using revised assumptions that are consistent with the requirements of Financial Reporting Standard No. 17, Retirement Benefits. Investments have been valued at fair value.

The contribution rate for 2003 was 6% of pensionable earnings and the agreed contribution rate for 2004 is 7% of pensionable earnings.

The transitional arrangements of Financial Reporting Standard No. 17 require the following disclosures.

Actuarial Assumptions

	Medical Benefits			Pension Schemes		
	2004	2003	2002	2004	2003	2002
Rate of increase of salaries				4.0%	3.90%	3.50%
Rate of increase of pensions in payment				2.50%	2.50%	2.50%
				3.25%	3.15%	2.75%
Discount Rate	5.50%	5.60%	5.50%	5.50%	5.60%	5.50%
Inflation Assumption				3.00%	2.90%	2.50%
Medical Expenses Inflation	10.50%	10.50%	10.50%			
Insurance Premium Inflation	7.00%	7.00%	7.00%			
	Medical Benefits and Executive Scheme			Group Scheme		
	2004	2003	2002	2004	2003	2002
Expected rates of return						
Equities and properties	7.00%	8.00%	8.00%	7.00%	8.00%	8.00%
Bonds and cash	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Fair Value of the assets and the present value of liabilities in the scheme

	Medical Benefits and Executive Scheme			Group Scheme		
	Fair Value at 31 October			Fair Value at 31 October		
	2004	2003	2002	2004	2003	2002
	£000	£000	£000	£000	£000	£000
Equities and Property	8,220	8,177	7,594	149,605	129,794	119,237
Bonds and Cash	3,523	2,726	2,500	80,556	86,530	79,491
Total fair value of assets	11,743	10,903	10,094	230,161	216,324	198,728
Present value of liabilities	(19,821)	(17,218)	(15,019)	(273,128)	(242,559)	(188,675)
Net (deficit)/surplus of the schemes	(8,078)	(6,315)	(4,925)	(42,967)	(26,235)	10,053
Net deficit/(benefit) attributable to scheme members	-	-	-	21,483	13,117	(5,026)
Net (deficit)/surplus attributable to the Company	(8,078)	(6,315)	(4,925)	(21,484)	(13,118)	5,027
Deferred tax asset/(liability)	2,423	1,895	1,477	6,445	3,935	(1,508)
	(5,655)	(4,420)	(3,448)	(15,039)	(9,183)	3,519

Of the deficit of £5,655,000, the majority of this relates to the executive scheme.

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Notes to the Accounts

29. RETIREMENT BENEFITS - TRANSITIONAL DISCLOSURES FOR FINANCIAL REPORTING STANDARD 17 (CONTINUED)

The analysis of reserves which would have arisen if FRS 17 had been fully implemented is as follows:

	2004 £000	2002 £000
Retained earnings per Accounts	49,801	80,319
Reverse SSAP 24 provisions	17,520	10,830
Net liabilities of the schemes	(20,694)	(13,603)
Restated Retained Earnings	<u>46,627</u>	<u>77,546</u>

	Medical Benefits and Executive Scheme		Group Scheme	
	2004 £000	2003 £000	2004 £000	2003 £000
Analysis of the amount which would have been charged to operating profit under FRS 17				
Current service costs	(539)	(498)	(5,222)	(5,448)
Past service costs	-	(500)	-	-
	<u>(539)</u>	<u>(998)</u>	<u>(5,222)</u>	<u>(5,448)</u>

Analysis of the amount which would have been credited to net finance income under FRS 17				
Expected return on scheme's assets	825	762	14,437	13,326
Interest on scheme's liabilities	(930)	(847)	(13,377)	(10,223)
	<u>(105)</u>	<u>(85)</u>	<u>1,060</u>	<u>3,103</u>

Analysis of the actuarial gain/(loss) which would have been recognised under FRS 17				
Differences between actual and expected return of scheme's assets	(505)	(453)	8,161	9,873
Experience gains arising on scheme's liabilities	(127)	(1)	(3,458)	(39,505)
Effects of changes in assumptions underlying the present value of scheme's liabilities	(1,179)	(592)	(19,845)	(6,557)
	<u>(1,811)</u>	<u>(1,046)</u>	<u>(15,142)</u>	<u>(36,189)</u>

Analysis of the movement in the scheme's surplus/(deficit) during the year

	Medical Benefits and Executive Scheme		Group Scheme	
	2004 £000	2003 £000	2004 £000	2003 £000
(Deficit)/surplus of schemes as at 1 st November 2003	(6,315)	(4,925)	(26,235)	10,053
Current service costs	(539)	(498)	(5,222)	(5,448)
Contributions	692	739	2,572	2,246
Past service costs	-	(500)	-	-
Other finance income	(105)	(85)	1,060	3,103
Actuarial gain	(1,811)	(1,046)	(15,142)	(36,189)
Deficit of schemes as at 31 st October 2004	<u>(8,078)</u>	<u>(6,315)</u>	<u>(42,967)</u>	<u>(26,235)</u>

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Notes to the Accounts

29. RETIREMENT BENEFITS - TRANSITIONAL DISCLOSURES FOR FINANCIAL REPORTING STANDARD 17 (CONTINUED)

	Medical Benefits and Executive Scheme		Group Scheme	
	2004	2003	2004	2003
Differences between the expected and actual return on the scheme's assets				
Amount (£000s)	(505)	(453)	8,161	9,873
Percentage of scheme's assets	(4.3%)	(4.5%)	3.5%	5.0%
Experiences gains and losses on the scheme's liabilities				
Amount (£000s)	(127)	(1)	(3,458)	(39,505)
Percentage of the present value of the scheme's liabilities	(0.8%)	0.0%	(1.3%)	21.0%
Total amount recognised in the statement of total recognised gains and losses				
Amount (£000s)	(2,026)	(1,046)	(15,142)	(36,189)
Percentage of the present value of the scheme's liabilities	(12.3%)	9.1%	(5.5%)	19.2%

30. COMMITMENTS

Contracted for but not provided in the financial statements in respect of:

- fixed asset investments £9.2m (2003: £6.7m)
- other expenditure £0.1m (2003: £0.6m)

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

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Operating leases which expire within one year	188	54	-	-
In two to five years	806	747	-	-
Over five years	2,059	1,152	397	397
	<u>3,053</u>	<u>1,953</u>	<u>397</u>	<u>397</u>

31. CONTINGENT LIABILITIES

There were contingent liabilities in respect of:

- guarantees of contract performance bonds given in the normal course of business;
- guarantees of performance by subsidiary and joint arrangements under funding and leasing agreements;
- completed and uncompleted contracts; and
- a subsidiary has guaranteed interest payments on a loan made by a related party of another subsidiary. Interest is calculated monthly and is based on a maximum loan of £11.8m. Rates of interest consist of a fixed rate of 8.4% on the first £6.7m and a floating rate of 2% above base rate for the balance. This guarantee expired on 31 December 2004.

32. POST BALANCE SHEET EVENTS

In March 2005, the Renewable Energy Systems Group obtained a refinancing loan of £156m in order to provide construction finance on new projects (of which £25m was immediately withdrawn) and repay existing debts of £48m. The remainder of the loan will be drawn down as progress is made on construction projects. The loan is repayable in non-equal instalments over 17 years and interest is payable at 1% - 1.2% above LIBOR and EURIBOR. Interest rate swaps have been used to reduce the Group's exposure to fluctuating interest rates. The loan is secured against the assets of the Renewable Energy Systems group companies which received the loans, and the subsidiaries of those companies, and is arranged on a limited recourse basis whereby the lenders' recourse is restricted to the assets of those companies.

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Notes to the Accounts

33a Subsidiary Companies and Unincorporated Joint Arrangements

The following represent the principal subsidiaries as at 31st October 2004 and, except where otherwise stated, were incorporated in Great Britain, registered and operated in England and Wales and were wholly owned.

Direct Subsidiaries

Sir Robert McAlpine (Holdings) Limited	(holding company, civil engineering and building)
Sir Robert McAlpine Enterprises Limited	(holding company, construction related activities)

Other Subsidiaries

Civil Engineering and Building:

Sir Robert McAlpine Limited	
Sir Robert McAlpine Management Contractors Limited	
McAlpine Limited	Cayman Islands

Property and Investments:

Abacus Developments Limited	
Abacus Projects Limited	
Herbrand Limited	
McAlpine Park Lane Inc.	USA

Aviation:

McAlpine Helicopters Limited (90%)	
PremiAir Aviation Group Limited	

Wind Energy

Renewable Energy Systems Holdings Limited	
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PFI Investments

PFI Investors Limited	
PFI Financing Limited	
Autolink Holdings (A19) Limited	

The following represent the principal unincorporated joint arrangements of the Group as at 31st October 2004, all within the United Kingdom.

	Group interest in Joint Arrangement
Construction	
McAlpine/Amey/Taylor Woodrow JV	33%
McAlpine/Amey/Taylor Woodrow/Barr JV	30%
McAlpine - McAlpine (Alfred) JV	50%
Foresite JV	50%
Integrated Health Projects JV	50%
SLA JV	50%

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Incorporated Joint Arrangements and Joint Ventures

33b Principal Incorporated Joint Arrangements

Company	Country of Registration, Incorporation and Principal Country of Operation	Issued Shares	Group Holding %	Date of Accounts
BCM McAlpine Limited	Bermuda	12,000 ordinary shares of BD\$1 each	40	31/10/04
McAlpine (Cayman) Limited	Cayman Islands	10,000 ordinary shares of CI\$1 each	40	31/10/04
Cardiff Gate Limited	England & Wales	150,000 'A' ordinary shares of £1 each 150,000 'B' ordinary shares of £1 each 500,000 'C' deferred non-voting redeemable ordinary shares of £1 each	100 nil 100	31/01/04
Scarmac Limited	England & Wales	51 'A' ordinary shares of £1 each 51 'B' ordinary shares of £1 each	100 nil	28/02/04

33c Principal Joint Ventures

Company	Country of Registration, Incorporation and Principal Country of Operation	Issued Shares	Group Holding %	Date of Accounts
Autolink Holdings (M6) Limited	England & Wales	77,138 'B' ordinary shares of 10p each 77,138 'A' ordinary shares of 10p each 77,138 'C' ordinary shares of 10p each 25,713 'D' ordinary shares of 10p each 138,453 'E' ordinary shares of 10p each	100 nil nil nil nil	31/12/03
Fondedile Foundations Limited	England & Wales	500,000 ordinary shares of £1 each	50	31/12/03
Summit Holdings (Dudley) Limited	England & Wales	60,000 ordinary shares of £1 each	33 ^{1/3}	31/03/04
Pinnacle Schools (Fife) Holdings Limited	England & Wales	10,000 ordinary shares of 10p each	50	31/03/04

All of the above joint ventures, except Fondedile Foundations Limited, are involved in the designing, building, operating and financing of PFI projects within the United Kingdom. Fondedile Foundations Limited is involved in construction.