Registration number: 01050970

Newarthill Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 October 2021

Newarthill Limited

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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	Mazars LLP Statutory Auditor 30 Old Bailey London United Kingdom EC2M 7AU

Newarthill Limited

Strategic Report for the Year Ended 31 October 2021

The Directors present their strategic report for the year ended 31 October 2021.

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.

Fair review of the business
Despite the challenges that the Group has faced throughout the year, our business strategy has proved its resilience and shown that it has the agility to evolve and respond to the ever-changing demands of external markets.

UK construction
Following the onset of the global pandemic in 2020 and the necessary decisions taken by our UK construction business to right size and navigate its way through this challenging period for both the UK and wider global economy, 2021 was very much a year of robust recovery as activity levels and new enquiries across the sector bounced back to pre-pandemic levels. This has been tempered however in the form of increased inflationary pressures and supply chain challenges affecting almost all global economies as we enter the new financial year.

Projects that Sir Robert McAlpine Limited completed over the last year, include Mustard Wharf, the first Build to Rent development in the South Bank area of Leeds, a landmark office development at the Spark in Newcastle, new private hospital facilities sitting opposite Buckingham Palace Gardens in the heart of Belgravia for the Cleveland Clinic and award winning schemes as part of M6 Junction 19 improvements, delivered in joint venture with Amey as one of Highway Englands Delivery Integration Partners.

Looking forward Sir Robert McAlpine have won or commenced work on several notable projects including the highly prestigious restoration of The Ritz. Residential schemes at Tower Works in Leeds. Commercial office space at The Forge in London, the world's first large scale office scheme to be built using a standardised "kit of parts" and One Centenary Way, a complex 12-storey 265,000 sq.ft commercial building located directly above the Queensway tunnel in Birmingham City Centre. In healthcare, the Springfield University Hospital development will provide two new mental health facilities in Tooting, South London, the Douglas Bennett House and Children & Young Persons unit, a purpose-built mental health facility in Southwark, London and the BEACH, Royal Bournemouth Hospital is a complex development which will become the major emergency hospital for Dorset.

As part of the Align joint venture, Sir Robert McAlpine is working alongside Bouygues Travaux Publics and VolkerFitzpatrick to deliver the UK's longest railway bridge - the Colne Valley Viaduct Stretching for 3.4km across a series of lakes and waterways just outside London, the viaduct will carry high speed trains as part of the HS2 project, between London, Birmingham and the North, to boost the economy and provide a low carbon alternative to car and air travel.

Caribbean Construction
Whilst the pandemic also slowed the construction market in the Caribbean, our business there, although a small part of the group, remains profitable.

Capital ventures
There were no movements in the Group's portfolio of PPP investments during the year.

All of the concessions are actively managed and are performing well, remaining operational throughout the COVID-19 pandemic. The focus of the relevant project companies is working with their public sector clients to ensure the continued safe delivery of services. Despite these challenging times, the performance of the project companies remain in line with expectations, generating the funds necessary to meet each concession's non-recourse debt payments.

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.

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.

Newarthill Limited

Strategic Report for the Year Ended 31 October 2021

Financial performance
The Group's key financial indicators are turnover, profit and cash and these are discussed below.

• Group turnover was £1,022.3m (2020: £884.4m).
• The profit before taxation and exceptional items was £9.4m (2020: loss of £8.7m).
• The profit after taxation and after exceptional items was £8.1m (2020: loss of £14.0m).
• Group cash was £245.5m (2020: £219.2m).

Taxation
The Group has a tax charge of £1.1m (2020: credit of £0.4m).

Cash and borrowings
The Group had cash balances of £245.5m (2020: £219.2m) at the year end. All the senior loan borrowings of £128.0m (2020: £121.5m) represented non-recourse debt of which £107.2m (2020: £117.5m) is in our wholly-owned PPP project companies.

Outlook
The Group continues to have a strong net cash balance with strong liquidity management continuing to mitigate the trading impact of COVID-19 and we remain well placed to exploit opportunities within its chosen sectors, supporting key clients. The Group has no debt facilities that are repayable on demand and is not subject to any debt covenants or other restrictions and will continue to prioritise profitability and liquidity over pure turnover growth. The Group has seen a robust return to profitability aided by the increase in construction revenue compared to 2020 as the impact of the pandemic subsided following the widespread rollout of vaccines and the normalisation of wider economy activity. New business tenders continue at pace, and the awarding of work has continued to be better than was prudently forecast during the pandemic.

Section 172 Companies Act 2006
The Directors have complied with the requirements of Section 172 Companies Act 2006 and in doing so have considered, amongst other matters, the following:

a | The likely long-term consequences of any decisions:

The Board monitors its strategy on an ongoing basis, using the Group's financial Key Performance Indicators re profitability and liquidity. The performance of the Group's construction operations are also measured against non-financial "Build Sure" strategic targets, to ensure that the Group remains on course to deliver its vision. The Build Sure commitment sets out five clear targets against which projects are measured - quality, safety, sustainability, and delivery both on time and on budget.

b | The interests of the employees:

The Group considers that an engaged workforce, where every employee understands the key role they play in delivering our business strategy, is essential. Through transparent and proactive communications, the Group aims to ensure that our people have full clarity on our business performance and how each contribution affects it. Aligning with our strategic objective to become the Best Place to Work, the Board has also continued to promote a truly inclusive culture where everyone feels welcome and can reach their full potential

The Group continues to use various channels to communicate with the Group's employees whether office or site based. This can be seen in the simplification of our strategy and bringing it to life with the "Constructing our Future" campaign which has enabled us to get buy-in from our people and monthly pulse surveys anonymously capture the sentiment of each employee on a range of strategic topics allowing the Board to take the necessary measures in a timely manner. Consequently, we believe we have an engaged workforce with more than 1,200 employees on average joining the Annual Conference and subsequent Quarterly Team Briefings.

c | The need to foster the Group's business relationships with suppliers, customers and others:

As a 153-year old family owned business with strong values, we aim to treat our clients and our supply chain partners like an extended part of our family. It is part of our business strategy to maintain sustainable and trustworthy relationships with them.

The ways in which we have engaged with our clients and supply chain partners include: newsletters, inclusion reports, client satisfaction surveys, events such as topping out and ground-breaking ceremonies, technical webinars, meetings, site visits and being signed up to the Government's Prompt Payment Code and committing to paying invoices within 30 days.

This engagement has numerous benefits that can be seen in an improved customer Net Promoter Score of 50, assisting in developing the skills and competences of our supply chain partners, 24 labour practice audits, raising awareness amongst our subcontractors of measures to tackle Modern Slavery and an average time to pay suppliers reduced from 30 to 27 days.

d | The impact of the Group's operations on the community and environment:

We aim to have a positive impact on both the environment and the local community in which we operate.

The Group recognises that the climate emergency poses a threat to us all, and that we have a duty to decarbonise our operations in a way that is scientifically validated. As a result we have signed the Science Based Targets initiative in line with a 1.5o future and are defining targets to monitor our journey to Net Zero Carbon.

Furthermore, the Group has backed a number of initiatives to support communities where the pandemic has exacerbated the need for support, with grassroot projects and local charities, including allocating funds to support Maggie's Centres, the Construction Youth Trust, and our Strong Foundations campaign. These actions have seen us committed to raising £1 million over ten years for Maggie's Centres, donating over £100,000 to 40 community projects across eight UK locations and teaming up with Semble and the ActionFunder platform as part of our Strong Foundations campaign. A Social value calculator is employed so we have measurable social value outputs on each project.

e | The desirability of the Group maintaining a reputation for high standards of business conduct:

The Board takes an active role in supporting cross-industry collaboration and contributing to Government's consultation for the benefit of our employees, our clients, our supply chain partners, as well as the wider society and economy.

We play an active role in leading industry organisations such as Build UK and CLC, have submitted responses to the Government's consultation on flexible working and National Digital Strategy consultation, hosted a roundtable on flexible working with representatives from Parliament and Industry and are a Founder member of the Construction Data Trust and Project Data Analytics Task Force

This has led to proactive collaboration with the industry throughout the pandemic, published research on the economic benefits of flexible working to the UK economy, a visible campaign to make flexible working available from Day 1 across industry and beyond and proactive collaboration to advance Project Data Analytics in construction.

Newarthill Limited

Strategic Report for the Year Ended 31 October 2021

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.

On behalf of the Board, the Risk Committee reviews the Group's risk register quarterly, ensuring both the relevance of existing risks, and the capturing of emerging risks on a timely basis, and that appropriate mitigation plans are put in place. The principal risks of the Group are set out below:

Inflation of costs on labour and materials across the construction sector
Brexit, and the tail off of Covid-19 have combined to significantly impact both the availability and distribution of materials, and the supply of appropriately qualified labour resource. These factors have led to shortages and consequent inflationary cost pressures. The Board continues to monitor the effects of the recent Russian invasion of Ukraine, which could give rise to further constraints on the availability of materials and additional inflationary pressure on the costs of energy and materials. This could lead to availability issues and rising costs can jeopardise the Group's ability to win new business, putting at risk its ability to deliver on its contracts within agreed timescales whilst still generating a satisfactory return on those contracts.

The Group monitors closely the supply chain issues faced within the sector. Measures instigated include conditionality clauses within the pricing of its new contracts.

Build quality issues
The risk of quality issues arising out of defective work, due in part to insufficient resource at the design and planning stage, could result in remedial costs and reputational damage relating to defects on legacy contracts. There is an increased focus on management of the technical competencies of staff in key roles, and the revision of project-level technical management processes.

The upcoming Building Safety Bill ("BSB")
The risk is the failure to put arrangements in place to deliver the appropriate records to demonstrate compliance with the BSB, and to prove the required level of staff competency which in turn would lead to the Group's inability to achieve starts on contract sites and handovers on completion.

The Group now has more clarity on the upcoming legislative requirements of the BSB and is better equipped from a management systems perspective to implement these requirements. Work is underway to strengthen our technical competence and traceability of products and systems that we procure.

Systems and data protection
The risk of a Major IT systems failure or a cyber-attack, could lead to users unable to undertake work because of one or a series of systems outages, therefore unable to access construction drawings, specifications, Digital Construction data, commercial information, and to process payments to subcontractors. The implications of this can be both contractual and compliance-related.

The risks are well understood, and a set of measures is being implemented by the Business Systems function, to reduce the vulnerability of the Group to an acceptable level. A cyber security policy is in place, and cyber training modules have been developed and rolled out to raise awareness and to minimise potential risks. Software is in place to warn users of potential issues and threats, and to track and trace as needed. Recertification of Cyber Essentials has been obtained during the year.

Health & Safety
The risk of a Major work-related incident that could lead to prosecution, fines, loss of reputation and consequential impact on future work-winning. Additional resource has been provided to implement an approved strategy.

Newarthill Limited

Strategic Report for the Year Ended 31 October 2021

Management of the SRM brand and reputation
The Group has been in existence for over 150 years, with a widely-recognised brand and reputation. Adverse events and negative publicity put these attributes at risk and result in the loss of work-winning, and less employee-attraction and retention. A Crisis Management Plan has been developed, a brand strategy is in place, and legacy issues are being actively monitored.

Attraction, retention and development of high-quality staff with the necessary talent, capability and experience
The risk is a loss of key talent leading to a lack of available skilled resources in the employment market and supply chain for the Group to meet client demand. A Strategy has been approved to ensure we are able to attract and retain the resource required, including gender-neutral CVs to support diversity and inclusion and remuneration is benchmarked externally.

Competitive environment
The risk is a lack of awareness of customer needs and competitor offerings resulting in a loss of competitive position, resulting in reduced work-winning. Account management and customer feedback processes are in place. Competitor analysis activity is planned for development.

Defined Benefit pension scheme
The Group participates in two defined benefit pension schemes, both of which have a deficit. The risk is a failure to manage the schemes, such that the Pension Regulator imparts a cash-prohibitive recovery regime on the Group. A long-term funding strategy has been agreed with scheme Trustees to mitigate the deficit over a 13-year horizon. Independent expert advice is obtained as part of the Group's ongoing deficit-management strategy, and in the monitoring of investment performance

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.

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 30.5.22 and signed on its behalf by:

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Cullum McAlpine
Director

Newarthill Limited

Directors' Report for the Year Ended 31 October 2021

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 October 2021.

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

David S Jenkins FCA

Robert J W Wotherspoon B.Eng., ACA

Results and Dividends
The profit for the year before taxation amounted to £9,172,000 (2020: loss of £14,395,000). Interim dividends of £475,000 were paid during the year (2020: £nil). The Directors do not recommend the payment of a final dividend (2020: £nil).

Strategic Report
The Group is required by section 414A of the Companies Act 2006 to present a Strategic report in the Annual Report. The Strategic Report for 2020-21 is set out on pages 2 to 6.

Stakeholder engagement
The Group's stakeholders include not just its shareholders but also its employees, its customers, its suppliers and a number of other interested parties. The Board recognises that it needs to address the interests of its employees, and to foster its business relationships with suppliers, customers and others, and the manner in which these interests and relationships are dealt with by the Directors is set out above, in the Strategic Report, under Section 172 Companies Act 2006 (b) and (c) respectively.

Equal opportunities
The Group gives full and fair consideration to applications for employment made by disabled persons where they have the necessary aptitude and abilities. Where employees become disabled, the Group endeavours to continue their employment provided there are duties which they can perform despite their disabilities.

The Group is an active equal opportunities employer and promotes and environment free from discrimination and victimisation. 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. The Group is committed to growing a diverse pool of talent for the purposes of long-term succession planning.

Health, Safety and Wellbeing
The Directors are committed to the effective management and monitoring of health and safety, to providing a safe working environment for employees, and to keeping members of the public with whom the Group comes into contact free from harm. Further details regarding Health and Safety can be found in the Strategic Report on page 5.

Research and development
The Group has a continuous program of research into and development of its construction methods and techniques, focussing on the efficiency and safety of materials used, energy consumed and working practices.

Share Capital
Details of the Group's share capital are set out in note 25 to the financial statements.

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 2021

Energy and carbon Reporting
The table below represents our energy use and associated emissions from electricity and fuel in the UK for the 2021 reporting year. The scope of this data includes all of our construction sites and both permanent and temporary offices.

Emissions reported correspond with our financial year and include all areas for which we have operational control in the UK, excluding joint ventures. Our boundary included full Scope 1 and 2 as well as Scope 3 business travel (where the company is responsible for purchasing the fuel) emissions. The emission factors used to calculate our emitted CO2e are UK Government Conversion Factors for greenhouse gas (GHG) reporting for both 2020 and 2021 as well as market-based emissions factors, where available.

			2020		**2021**
Item			**Restated**		
		kWh	tCO2e	kWh	tCO2e
01	Emissions from combustion of gas (Scope 1)	7,607,227	1,399	4,189,668	768
02	Emissions from combustion of fuel (Scope 1)	9,725,544	2,435	11,475,428	2,881
03	Emissions from electricity purchased for own use, including the purposes of transport (Scope 2 - location based)	15,977,742	1,195	15,720,749	1,695
04	Emissions from business travel (Scope 3)	4,319,434	1,088	4,589,504	1,138
	Total gross CO2e based on above		**6,117**		**6,482**
05	Energy consumption used to calculate emissions	37,629,947		35,975,349	
06	Tonnes of CO2e per £m revenue		7.46		6.92

In 2021, we committed to developing a GHG reduction programme in line with the Science Based Target Initiative (SBTi). In pursuit of this commitment, we have undertaken a full carbon-accounting process review, which has resulted in the refinement of our procedures and processes.

For transparency, we have re-run the carbon footprint calculations for both historic and current performance. As a result, our 2020 figures have been revised from those previously published. We continue to develop our expertise and processes to better understand and reduce our impacts, pursuing opportunities to improve our reporting of carbon emissions across our business.

This year saw an absolute increase in tCO2e reported from our baseline. Predictably, analysis of the data attributes this increase partly down to a return to pre-pandemic levels of activity across our sites and offices. However, the most significant contributor is the way in which carbon emissions from our electricity use are calculated and reported.

To calculate these emissions, we've moved from using standard government conversion factors to market-based ones. Encouragingly our energy consumption has decreased this year. However, our transition to zero-carbon energy for all our activities continues, and the change to market-based emissions has highlighted the emissions impact of the few electricity supplies we use which are not zero carbon.

We continue our transition to a single zero carbon electricity supplier. Encouragingly, by way of illustration, had this transition been complete, we would have delivered a 3% reduction in overall carbon emissions this year.

Whilst our absolute carbon emissions have increased, due to the factors described above, both our absolute energy consumption and carbon intensity (tCO2e per £m revenue) have decreased in the last year. A signal that our carbon reduction programmes, and energy efficiency actions are delivering improvements.

Energy- efficiency actions taken
During 2021, the Group has taken a number of steps to improve energy efficiency. These include:
• Improved reporting to enable us to better understand our emissions
• Continued rollout of Renewable-energy tariff across operations
• Signing up to Science Based Target initiative (SBTi) - to provide direction and clarity for our carbon reduction programmes
• Running trials in partnership with Aggreko on energy efficiency of site generators
• Sustainability training for work staff and supervisors detailing actions they can take to reduce consumption and emissions
• Establishing a supply agreement for Hydrotreated Vegetable Oil (HVO) fuel to replace Diesel on all sites, which will reduce emissions and improve efficiency of plant
• Appointing a Carbon Manager to oversee efficiency measures, upskilling and carbon reduction programmes

Climate change risks and our responses
Climate change continues to pose a significant risk to our business over the short, medium and long term, though, for example, the impacts of extreme weather events and supply chain shortages on our operations, and increased regulation and oversight, which if not addressed will significantly affect our business.

With the built environment contributing 40% of global carbon emissions, our industry has a significant role to play in addressing the climate crisis. Our focus is around two overarching objectives:
1) Measuring and reducing our carbon footprint in line with our aspiration to reduce our carbon emissions, and become Net Zero Carbon (NZC)
2) Evolving our design, procurement and construction practices to deliver lower carbon solutions for our clients and reduce the built environment's carbon emissions

To reduce our exposure to risk we need to embed meaningful, lasting change within our organisation. We developed a set of carbon principles to guide us through the development and delivery of our carbon reduction programmes.
These principles are:
Don't delay - Don't let the magnitude of the task delay action
Collaborate - We collaborate across the Group and the wider industry
Be Brave - We have to do things differently and embrace change
Reduce - We need to reduce our emissions and not settle for offsetting alone
Transparency - Our approach will be open, honest and transparent

Emission reduction and accelerating the decarbonisation of our activities are key drivers of our company Sustainability Strategy. Our journey to reducing carbon emissions began in 2016 and now we see ourselves in "Phase 2" of our Pathway to NZC.

We have conducted full Scope 1, 2 & 3 emissions benchmarking in line with our commitment to developing a 1.5oC warming scenario carbon reduction programme certified by the SBTi. This, coupled with our revised GHG Protocol Corporate Standard compliant carbon accounting will ensure that our strategy, tools and reporting are future proofed, thus reducing our exposure to climate risk. With risk comes opportunity, and we're growing our skills and expertise in delivering low carbon solutions through design, procurement and construction.

Key to the expansion of our capabilities has been the trial and implementation of a Whole Life Carbon (WLC) tool for our business which will enable us to accurately measure carbon emissions and assess associated risks in the delivery of our operations. The aggregated information and performance data also enables us to accurately forecast, manage and reduce WLC emissions, giving us confidence that we can deliver reduced emissions and meet any requirements placed upon us.

We have also appointed a Carbon Manager to work within our Sustainability Department to lead the assessment, management and reduction of our carbon emissions, and our transition to a NZC business model. This transition will build resilience against future legislative changes and tax reforms implemented by the Government in support of their commitment for the United Kingdom to be NZC by 2050. Aligned to our Carbon Principles, we will continue to be a strong advocate for the industry and wider business to address climate change as a collective, sharing best practice and communicating lessons learnt in an open and transparent way.

Donations
During the year the Group made no political donations (2020: £nil).

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 Balance Sheet and the accompanying notes 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 has considerable financial resources and carries only non-recourse debt. The Directors have prepared cashflow forecasts to 31 October 2023, showing a base case with a downside scenario modelled against this. For the Construction business, the base case shows the cashflow generated from secured and nearly-secured contracts and short-term working capital needs. The downside scenario demonstrates the effect of reduced order intake, delayed settlements and increased remedial cash outflows. This was designed to establish a pessimistic but plausible downside and demonstrates that sufficient cash headroom can be maintained throughout this period. 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.

Brexit was considered by the Directors, but after more than a year since its inception there are no further concerns regarding its impact on the construction business or the wider Group. Climate change, and the steps that the Group is taking to address this issue, are dealt with separately, but the matter is not considered likely to have any impact on our customers or supply chain such as to cast doubt on the financial forecasts referred to above. The recent invasion of Ukraine by Russian military forces, which has increased short-term energy prices throughout the UK and Europe and may add further to the current inflationary cycle, has caused significant uncertainty in financial markets worldwide but is not considered to be a significant threat to the Group or our cash flow, with all of our business both generated and conducted in the UK.

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

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.

Resignation and appointment of Independent Auditor

On 20 August 2021 Deloitte LLP resigned as the Company's Independent Auditor, and Mazars was appointed as the Group's Independent Auditor in accordance with section 487 of the Companies Act 2006.

Post balance sheet events

On 24 February 2022, an invasion of Ukraine by Russian military forces commenced, which has to date given rise to increased energy and commodity prices throughout the UK and Europe and significant uncertainty in financial markets worldwide. The Group has assessed, and will continue to assess the implications of the events in Ukraine, but currently there is considered to be no material impact on the business's financial performance or position.

Approved by the Board on 30.05.22 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

Opinion
We have audited the financial statements of Newarthill Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2021 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion the financial statements:
• give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2021 and of the group's profit for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Newarthill Limited

Independent Auditor's Report to the Members of Newarthill Limited

Matters on which we are required to report by exception
In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
• adequate accounting records have not been kept 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 11, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation and health and safety regulation, anti-bribery regulation, anti-money laundering regulation, general data protection regulation, building regulations and non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:
Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

Independent Auditor's Report to the Members of Newarthill Limited

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition and contract provisions, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:
• Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
• Gaining an understanding of the internal controls established to mitigate risks related to fraud;
• Discussing amongst the engagement team the risks of fraud; and
• Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

....
David Herbinet (Senior Statutory Auditor)
For and on behalf of Mazars LLP,
Statutory Auditor
30 Old Bailey
London, United Kingdom
EC2M 7AU

Date:...30 May 2022.....

Newarthill Limited

Consolidated Profit and Loss Account for the Year Ended 31 October 2021

	Note	Before exceptional items 2021 £ 000	Exceptional items* 2021 £ 000	2021 £ 000	Before exceptional items 2020 £ 000	Exceptional items* 2020 £ 000	2020 £ 000
Turnover	3	1,022,336	-	1,022,336	883,674	699	884,373
Cost of sales		(981,242)	(240)	(981,482)	(866,882)	(1,275)	(868,157)
Gross profit/(loss)		41,094	(240)	40,854	16,792	(576)	16,216
Administrative expenses		(34,572)	-	(34,572)	(37,189)	(5,077)	(42,266)
Other operating gains	4	1,943	-	1,943	9,642	-	9,642
Operating profit/(loss)	6	8,465	(240)	8,225	(10,755)	(5,653)	(16,408)
(Loss)/gain on financial assets at fair value through profit and loss account	35	(1,631)	-	(1,631)	944	-	944
Interest receivable and similar income	8	12,615	-	12,615	14,329	-	14,329
Amounts written off investments	5	(811)	-	(811)	(9,055)	-	(9,055)
Interest payable and similar charges	9	(15,024)	-	(15,024)	(9,787)	-	(9,787)
		(4,851)	-	(4,851)	(3,569)	-	(3,569)
Share of profit of equity accounted investees		5,798	-	5,798	5,582	-	5,582
Profit/(loss) before tax		9,412	(240)	9,172	(8,742)	(5,653)	(14,395)
Taxation credit/ (charge)	13	(1,142)	46	(1,096)	(686)	1,074	388
Profit/(loss) for the financial year		8,270	(194)	8,076	(9,428)	(4,579)	(14,007)

*Exceptional items are explained in Note 7 to the financial statements.

The above results were derived from continuing operations.

Newarthill Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 October 2021

	2021 £ 000	2020 £ 000
Statutory Profit/(loss) for the financial year	8,076	(14,007)
	-	-
Unrealised gain/(loss) on cash flow hedges	6,342	(44)
Foreign currency translation loss	(5,921)	(2,442)
Remeasurement gain/(loss) on defined benefit pension and post-retirement medical schemes net of deferred tax	53,653	(20,670)
	54,074	(23,156)
Total comprehensive income/(loss) for the year	62,150	(37,163)
Total comprehensive income/(loss) attributable to:		
Equity shareholders of the company	62,150	(37,163)

The notes on pages 22 to 61 form an integral part of these financial statements.

Newarthill Limited

(Registration number: 01050970)
Consolidated Balance Sheet as at 31 October 2021

	Note	2021 £ 000	2020 £ 000
Fixed Assets			
Intangible assets	14	9,075	2,776
Tangible assets	15	38,983	40,911
Investment properties	16	45,867	11,747
Investments	17	43,410	45,764
Other financial assets	18	12,092	26,776
		149,427	127,974
Current assets			
Stocks	19	55,204	59,752
Debtors due within one year	20	137,533	152,403
Debtors due after one year	20	147,910	169,711
Derivative financial instruments	35	1,071	4,654
Cash and cash equivalents	21	245,534	219,207
		587,252	605,727
Creditors: Amounts falling due within one year	22	(337,425)	(312,469)
Net current assets		249,827	293,258
Total assets less current liabilities		399,254	421,232
Creditors: Amounts falling due after more than one year	22	(163,668)	(150,095)
Derivative financial instruments	35	(15,341)	(21,927)
Provisions for liabilities	23	(25,463)	(40,573)
Net assets excluding employee benefits liabilities		194,782	208,637
Pension and other schemes	24	(104,774)	(179,801)
Net assets		90,008	28,836
Capital and reserves			
Called up share capital	25	6,989	7,104
Capital redemption reserve		14,783	15,171
Hedging reserve		(15,341)	(21,683)
Foreign currency translation reserve		9,378	15,299
Profit and loss account		74,199	12,945
Total equity		90,008	28,836

Approved and authorised for issue by the Board on 30.5.22 and signed on its behalf by:

....

Cullum McAlpine

Director

Newarthill Limited

(Registration number: 01050970)
Company Balance Sheet as at 31 October 2021

	Note	2021 £ 000	2020 £ 000
Fixed Assets			
Investments	17	132,527	132,527
Current assets			
Debtors due within one year	20	114,806	75,390
Debtors due after one year	20	24,173	31,822
Cash and cash equivalents	21	30,640	22,492
		169,619	129,704
Creditors: Amounts falling due within one year	22	(115,193)	(87,407)
Net current assets		54,426	42,297
Net assets excluding pension schemes liability		186,953	174,824
Pension schemes	24	(99,358)	(174,212)
Net assets		87,595	612
Capital and reserves			
Called up share capital	25	6,989	7,104
Capital redemption reserve		14,783	15,171
Profit and loss account		65,823	(21,663)
Total equity		87,595	612

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 £34,115,000 (2020 - profit of £22,731,590).

Approved and authorised for issue by the Board on 30.5.22 and signed on its behalf by:

....

Cullum McAlpine

Director

Newarthill Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 October 2021

	Share capital £ 000	Capital redemption reserve £ 000	Hedging reserve £ 000	Foreign currency translation £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2019	7,104	15,171	(21,639)	17,741	47,622	65,999
Loss for the year	-	-	-	-	(14,007)	(14,007)
Other comprehensive income/(loss)	-	-	(44)	(2,442)	(20,670)	(23,156)
Total comprehensive income	-	-	(44)	(2,442)	(34,677)	(37,163)
At 31 October 2020	7,104	15,171	(21,683)	15,299	12,945	28,836

	Share capital £ 000	Capital redemption reserve £ 000	Hedging reserve £ 000	Foreign currency translation £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2020	7,104	15,171	(21,683)	15,299	12,945	28,836
Profit for the year	-	-	-	-	8,076	8,076
Other comprehensive income/(loss)	-	-	6,342	(5,921)	53,653	54,074
Total comprehensive income	-	-	6,342	(5,921)	61,729	62,150
Dividends	-	-	-	-	(475)	(475)
Purchase of own share capital	(115)	(388)	-	-	-	(503)
At 31 October 2021	6,989	14,783	(15,341)	9,378	74,199	90,008

Newarthill Limited

Company Statement of Changes in Equity for the Year Ended 31 October 2021

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2019	7,104	15,171	(23,870)	(1,595)
Profit for the year	-	-	22,732	22,732
Remeasurement losses on pension and post retirement medical schemes net of deferred tax	-	-	(20,525)	(20,525)
Total comprehensive loss	-	-	2,207	2,207
At 31 October 2020	7,104	15,171	(21,663)	612

	Share capital £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2020	7,104	15,171	(21,663)	612
Profit for the financial year	-	-	34,115	34,115
Remeasurement losses on pension and post retirement medical schemes net of deferred tax	-	-	53,846	53,846
Total comprehensive income	-	-	87,961	87,961
Dividends (note 30)	-	-	(475)	(475)
Purchase of own share capital	(115)	(388)	-	(503)
At 31 October 2021	6,989	14,783	65,823	87,595

Newarthill Limited

Consolidated Statement of Cash Flows for the Year Ended 31 October 2021

	Note	2021 £ 000	2020 £ 000
Net cash generated in operating activities	26	49,142	39,024
Cash flows from investing activities			
Interest and dividends received		17,629	16,018
Acquisition of tangible assets		(3,930)	(3,537)
Proceeds from sale of tangible assets		1,430	1,723
Acquisition of intangible assets	14	(3,842)	-
Acquisition of investment properties		(964)	(397)
Proceeds from sale of investment properties		152	9,600
Acquisition of listed and unlisted securities	18	(500)	(334)
Proceeds from sale of listed and unlisted securities		6	(428)
Cash receipts/(payments) from repayment of loans, classified as investing activities	17	458	1,391
Advances of loans, classified as investing activities	17	(49)	(141)
Investments in joint ventures and associates		575	(483)
Net cash generated from investing activities		10,965	23,412
Cash flows from financing activities			
Interest paid		(14,248)	(6,694)
Payments for purchase of own shares		(503)	-
Repayment of other borrowing		(14,273)	(6,864)
Payments to finance lease creditors		(2,545)	(4,105)
Dividends paid		(475)	-
Net cash used in financing activities		(32,044)	(17,663)
Net increase in cash and cash equivalents		28,063	44,773
Cash and cash equivalents at start of year		219,207	175,754
Effect of exchange rate fluctuations on cash held		(1,736)	(1,320)
Cash and cash equivalents at end of year		245,534	219,207

Newarthill Limited

Notes to the Financial Statements for the Year Ended 31 October 2021

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 are presented in pounds sterling, rounded to the nearest thousand, and have been prepared using the historical cost convention except, as disclosed in the accounting policies, certain items are shown at fair value.

Exemption 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 11.42, 11.44, 11.45, 11.47, 11.48a(iii), 11.48B and 11.48C and paragraphs 12.26, 12.27, 12.29A and 12.29B, 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 2021.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006.

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. Subsequent changes to the measurement of contingent consideration are recognised as an adjustment to the cost of the business combination.

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 Balance Sheet and the accompanying notes 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 has considerable financial resources and carries only non-recourse debt. The Directors have prepared cashflow forecasts to 31 October 2023, showing a base case with a downside scenario modelled against this. For the Construction business, the base case shows the cashflow generated from secured and nearly-secured contracts and short-term working capital needs. The downside scenario demonstrates the effect of reduced order intake, delayed settlements and increased remedial cash outflows. This was designed to establish a pessimistic but plausible downside and demonstrates that sufficient cash headroom can be maintained throughout this period. 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.

Brexit was considered by the Directors, but after more than a year since its inception there are no further concerns regarding its impact on the construction business or the wider Group. Climate change, and the steps that the Group is taking to address this issue, are dealt with separately, but the matter is not considered likely to have any impact on our customers or supply chain such as to cast doubt on the financial forecasts referred to above. The recent invasion of Ukraine by Russian military forces, which has increased short-term energy prices throughout the UK and Europe and may add further to the current inflationary cycle, has caused significant uncertainty in financial markets worldwide but is not considered to be a significant threat to the Group or our cash flow, with all of our business both generated and conducted in the UK.

Taking all of the above matters into consideration, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and 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 area of accounting judgement is:

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 the lower of cost and net realisable value.

Significant areas of estimation uncertainty 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 circumstances 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 assets are recognised only to the extent that it is probable that future taxable profits will arise against which the temporary differences will be utilised. 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. £1,645k of £33,266k deferred tax assets recognised at 31 October 2021 is expected to be recoverable within 12 months, but this recoverable amount is subject to achievement of forecast taxable profits in the financial year then ended.

Provisions: Provisions (see note 23) are made for the costs expected to be incurred on completed contracts where remedial works have been identified. These provisions require management's best estimate of the costs that will be required to complete contracts based on contractual requirements. It is impracticable to estimate the timing of the related cash outflows and discounting, unless material, has therefore not been applied.

Retirement benefit obligations: The Group has defined benefit pension scheme obligations (see note 24) 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 7).

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.

Government grants

The Group benefits from Research and Development Expenditure Credits receivable from the UK Government, in respect of eligible expenditure during the period. These grants are recognised on an accruals basis as income during the year.

During the current financial year the Group was also able to claim certain employment costs in respect of "furloughed" staff, under the Government's "Coronavirus Job Retention Scheme". Such grants were also recognised on an accruals basis as income during the year.

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 results of overseas operations are translated at the average rates of exchange during the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used, and their balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

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. The Group policy is to amortise 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.

Internally-generated assets are recognised at cost less accumulated amortisation and impairment losses.

Amortisation is recognised on a straight-line basis over each asset's estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimate useful lives for the Group's finite life intangibles assets are 5 to 10 years. Amortisation commences once the asset is in use, and the charge is recognised in administrative expenses. Assets under construction are not amortised.

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.

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.

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.

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.

Recognition and measurement
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.

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 as 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.

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:

	2021 £ 000	2020 £ 000
Contracting	954,030	824,391
PPP concessions	41,395	43,533
Property	26,911	16,449
	1,022,336	884,373

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

	2021 £ 000	2020 £ 000
United Kingdom	980,043	857,262
Caribbean / USA	42,293	27,111
	1,022,336	884,373

4 Other operating gains

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

	2021 £ 000	2020 £ 000
Gain on disposal of tangible fixed assets	605	526
Gain on disposal of investment properties	-	98
Gain on disposal of investments	6	40
Coronavirus Job Retention Scheme	119	7,310
Research and Development expenditure credits	1,213	1,668
	1,943	9,642

5 Amounts written off investments

	2021 £ 000	2020 £ 000
Write off against JV loans (note 17)	575	5,800
Write off against other loans (note 18)	254	154
Write (back to)/ off other debtors (note 20)	(18)	3,101
	811	9,055

6 Operating profit

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Amortisation expense (see note 14)	2,126	984
Depreciation expense (see note 15)	5,934	9,210
Foreign exchange losses	453	177
Operating lease expense - property	3,639	3,843
Operating lease expense - plant and machinery	11,601	8,965
Research and development cost	9,231	9,167
Coronavirus Job Retention Scheme	(119)	(7,310)
Research and Development expenditure credits	(1,213)	(1,668)
Profit on disposal of property, plant and equipment	(605)	(526)

7 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 2017 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, turnover relating to this business is £nil (2020: £0.7m). The charge for costs relating to this business were £0.2m (2020: £1.3m).

COVID-19 impacted the financial results of the Construction business in both the current and the prior year, and necessitated a programme of restructuring initiated in the prior year costing £5.2m. £1.2m was spent in 2019-20 (comprising £1.0m re staff costs and £0.2m re onerous lease charges) and the balance of £3.9m during the current year(comprising of £3.7m re staff costs and £0.2m re onerous lease charges).

8 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Finance debtor interest	9,936	10,621
Interest income on investments	1,075	147
Bank interest receivable	210	2,072
Dividend income	1,394	-
Net gain on derivative	-	1,063
Foreign exchange gains	-	426
	12,615	14,329

9 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest on bank loans and other borrowings	8,513	6,429
Interest on obligations under finance leases and hire purchase contracts	137	265
Foreign exchange losses	-	163
Net interest expense on employee benefit liabilities	2,652	2,930
Net loss on derivative	3,722	-
	15,024	9,787

10 Staff costs

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

	2021 £ 000	(As restated) 2020 £ 000
Wages and salaries	170,094	156,143
Social security costs	17,692	16,149
Pension costs, defined contribution scheme	7,659	7,392
Pension costs, defined benefit scheme	756	962
Pension costs, unregulated, unfunded savings plan	185	166
	196,386	180,812

The 2020 comparatives have been restated in respect of Pension costs, defined contribution scheme, to reflect costs borne in the profit and loss account, and in respect of Pension costs, unregulated, unfunded savings plan, which were not previously disclosed.

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

	2021 No.	2020 No.
Operations	2,145	2,218
Administration	187	200
	2,332	2,418

The average number of employees of the Company during the year was admin 18 (2020 - admin 22).

11 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	1,535	1,438

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

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

	2021 No.	2020 No.
Accruing benefits under defined benefit pension scheme	1	2

No directors (2020 - none) were members of defined contribution schemes.

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	488	482

12 Auditor remuneration

	2021 £ 000	2020 £ 000
Audit of Parent Company	70	54
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	497	492
	567	546

Other fees to auditor		
Fees in respect of the audit of the associated pension schemes	-	33
All other assurance services	-	5
	-	38

13 Taxation charge/ (credit)

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

	2021 £ 000	2020 £ 000
Current taxation		
United Kingdom corporation tax	8,104	210
United Kingdom corporation tax adjustment to prior periods	288	8
	8,392	218
Foreign tax	57	-
Total current tax	8,449	218
Deferred taxation		
Arising from origination and reversal of timing differences	(5,190)	1,118
Arising from changes in tax rates and laws	(2,163)	(1,724)
Total deferred taxation	(7,353)	(606)
Total tax charge/(credit)	1,096	(388)

In addition to the tax charge to the income statement, tax of £11,091,000 was credited (2020: £6,239,000 credited) directly to other comprehensive income in respect of the remeasurement gain (2020: loss) on Retirement Benefit schemes.

The differences between the total tax charge/ (credit) shown above and the amount calculated by applying the standard rate of United Kingdom corporation tax of 19% (2020 - 19%) to the profit/(loss) before tax are as follows:

	2021 £ 000	2020 £ 000
Profit/(loss) before tax	9,172	(14,395)
Corporation tax at standard rate	1,744	(2,735)
Income not taxable in determining taxable profit	(3,892)	(2,645)
Expenses not deductible for tax purposes	3,478	2,335
Group relief surrendered/(received) for nil consideration	-	953
Income/(expense) due to transfer pricing adjustments	-	(44)
Remeasurement of deferred tax assets and liabilities due to changes in United Kingdom tax rate	(3,603)	(1,724)
Change in unrecognised deferred tax assets	3,379	3,201
Utilisation of tax losses not previously recognised	(64)	(10)
Adjustments to tax charge in respect of previous periods	221	281
Effect of oversea tax rates	(167)	-
Total tax charge/(credit)	1,096	(388)

Deferred tax

Group

Deferred tax assets and liabilities (see notes 20 and 23)

2021	Asset £ 000	Liability £ 000
Depreciation in excess of capital allowances	996	-
Short term timing differences	-	1,040
Losses	6,755	-
Revaluation of investment property	-	49
Retirement benefit obligations	25,515	-
	33,266	1,089

2020	Asset £ 000	Liability £ 000
Depreciation in excess of capital allowances	477	-
Short term timing differences	-	6,837
Losses	8,490	-
Revaluation of investment property	-	357
Retirement benefit obligations	34,162	-
	43,129	7,194

The deferred tax assets have been calculated using the rate anticipated to be in force when the timing differences unwind. In May 2021 the UK Government substantively enacted a new corporate tax rate for large companies raising the rate from 19% to 25% with effect from 1 April 2023. The Group has recognised deferred tax assets of £33,266,000 (2020: £43,129,000) on the basis that it is probable that profits will arise in the foreseeable future enabling the assets to be utilised. It is expected that £1,645,000 (2020 - £2,984,000) of the deferred tax asset relating to losses will be offset against profits arising in the following 12 months. Recognised deferred tax assets are at a blended rate of 24% (2020: 19%).

There are no unrecognised deferred tax liabilities (2020 - £Nil).

There are £60,427,000 (2020 - £40,683,000) of unrecognised deferred tax assets. These are analysed as follows:

	2021 £ 000	2020 £ 000
Accelerated capital allowances	3,048	3,808
Losses	56,481	36,468
Short term timing differences	898	407
	60,427	40,683

Company

Deferred tax assets and liabilities (see note 20)

Deferred tax assets of £24,173,000 have been recognised in respect of retirement benefit obligations (2020 - £33,100,000 in respect of retirement benefit obligations).

There are £1,729,000 (2020 - £1,169,000) of unrecognised deferred tax assets, calculated at 25% (2019: 19%), due to uncertainities as to the period of recovery. These are analysed as follows:

	2021 £ 000	2020 £ 000
Accelerated capital allowances	10	9
Short term timing differences	1,719	1,160
	1,729	1,169

14 Intangible assets

Group

	Goodwill £ 000	Software development £ 000	Assets under construction £ 000	Total £ 000
Cost				
At 1 November 2020	19,585	-	-	19,585
Additions acquired separately	7,141	120	1,164	8,425
At 31 October 2021	26,726	120	1,164	28,010
Amortisation				
At 1 November 2020	16,809	-	-	16,809
Amortisation charge	2,113	13	-	2,126
At 31 October 2021	18,922	13	-	18,935
Carrying amount				
At 31 October 2021	7,804	107	1,164	9,075
At 31 October 2020	2,776	-	-	2,776

Goodwill is amortised over the expected useful lives of the assets purchased, which are estimated to range between 3 and 20 years. The amortisation charge is recognised in the profit and loss account within cost of sales. For details on the additions see note 34.

Software development is being amortised on a straight line basis over a period of 5-10 years, from the date the asset became available for use. The amortisation charge is recognised in the profit and loss account within administration expenses.

Assets under construction comprise amounts capitalised in respect of patents for technology under development and will be amortised over the expected useful life when the underlying technology is brought into use.

No research and development costs were capitalised during the year (2020 - £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 £9.3m (2020 - £8.8m).

Company

The company had no intangible assets at 31 October 2021 (2020 - £Nil).

No research and development costs were capitalised during the year (2020 - £Nil) and no research and development costs were expensed during the year (2020 - £Nil).

Newarthill Limited

Notes to the Financial Statements for the Year Ended 31 October 2021

15 Tangible assets

Group

	Freehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Plant and equipment £ 000	Total £ 000
Cost				
At 1 November 2020	28,519	20,942	61,104	110,565
Additions	198	292	4,657	5,147
Disposals	(108)	(6,427)	(4,258)	(10,793)
Transfers	(327)	(10,473)	10,800	-
Foreign exchange movements	(280)	-	(358)	(638)
At 31 October 2021	28,002	4,334	71,945	104,281
Depreciation				
At 1 November 2020	13,081	17,531	39,042	69,654
Charge for the year	591	907	4,436	5,934
Eliminated on disposal	(106)	(6,667)	(3,195)	(9,968)
Transfers	(347)	(8,984)	9,331	-
Foreign exchange movements	(28)	-	(294)	(322)
At 31 October 2021	13,191	2,787	49,320	65,298
Carrying amount				
At 31 October 2021	14,811	1,547	22,625	38,983
At 31 October 2020	15,438	3,411	22,062	40,911

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:

	2021 £ 000	2020 £ 000
Plant and equipment	5,435	8,950

16 Investment properties

Group

	£ 000
At 1 November 2020	11,747
Additions	964
Acquired through business combinations	33,375
Foreign exchange movements	(219)
At 31 October 2021	45,867

The majority of investment properties are freehold with one held on a long term leasehold. The comparable historical cost of the investment properties is £43.806m (2020 - £7.125m) and the comparable historical depreciation of the investment properties is £1.917m (2020 - £1.041m).

The investment properties, which are situated in the United Kingdom, Guernsey 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.

The key assumptions made relating to the valuations are set out below;

	Commercial Office		Retail	Industrial	
	2021	2020	2021	2021	2020
Yield	7%-10%	8%-10%	7 -10%	6%	6%
Voids/ letting periods	12 - 15 months	12 - 15 months	18 months	nil	nil
Market rents per sq ft	£10 - £16	£11 - £16	£12 - £15	£2	£2

In respect of £33.375m (2020 - £8.042m) of freehold investment properties, held in Guernsey, there is in existence a fixed and floating charge and the remittance of rental income on these investment properties has been pledged as security.

17 Investments

Group

Investments in joint ventures

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

	Equity	Loans	Total
Cost and carrying amount	**£ 000**	**£ 000**	**£ 000**
At 1 November 2020	35,539	10,225	45,764
Profit for the year	4,005	-	4,005
Dividends paid	(1,787)	-	(1,787)
Additions	-	49	49
Repayments	-	(458)	(458)
Transfers	(2,000)	-	(2,000)
Written off	(75)	(500)	(575)
Exchange rate adjustments	(1,624)	36	(1,588)
At 31 October 2021	34,058	9,352	43,410

See note 37 for a list of joint ventures of the Group.

Company

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

	£ 000
Cost	
At 1 November 2020 and 31 October 2021	135,008
Provision	
At 1 November 2020 and 31 October 2021	2,481
Carrying amount	
At 31 October 2021	132,527
At 31 October 2020	132,527

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

18 Other financial assets

Group	***Unlisted* securities**	**Loans**	**Total**
Cost	**£ 000**	**£ 000**	**£ 000**
At 1 November 2020	12,403	15,716	28,119
Additions	-	349	349
Reclassify	(12,282)	(3,133)	(15,415)
Cost at 31 October 2021	121	12,932	13,053
Provisions			
At 1 November 2020	852	491	1,343
Charge	-	254	254
Reclassify	(852)	216	(636)
At 31 October 2021	-	961	961
Carrying amount			
At 31 October 2021	121	11,971	12,092
At 31 October 2020	11,551	15,225	26,776

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

Loans are held at cost less impairment as their fair values cannot be measured reliably. Included within loans is £11,145,000 made to Glasgow Learning Quarter Limited. The loan accrues interest on a semi-annual basis at 9.74%. The loan is due for repayment in 2041 and is secured over the assets of the company.

19 Stocks

	Group 2021 £ 000	Group 2020 £ 000
Raw materials and consumables	430	442
Work in progress	8,509	9,294
Properties held for development and sale	46,265	50,016
	55,204	59,752

20 Debtors

Due within one year:	Group 2021 £ 000	Group 2020 £ 000	Company 2021 £ 000	Company 2020 £ 000
Trade debtors	60,688	73,794	-	-
Financial assets	6,940	5,900	-	-
Amounts owed by related parties	-	-	114,642	73,672
Other debtors	6,602	20,126	2	234
Prepayments	20,166	11,408	162	206
Amounts recoverable on contracts	39,055	33,655	-	-
Deferred tax assets (see note 13)	1,645	4,026	-	1,278
Corporation tax asset	2,437	3,494	-	-
	137,533	152,403	114,806	75,390

Due after one year:	Group 2021 £ 000	Group 2020 £ 000	Company 2021 £ 000	Company 2020 £ 000
Financial assets	103,793	112,399	-	-
Other debtors	23	1,312	-	-
Amounts recoverable on contracts	12,473	16,897	-	-
Deferred tax assets (see note 13)	31,621	39,103	24,173	31,822
	147,910	169,711	24,173	31,822

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.

21 Cash and cash equivalents

	Group 2021 £ 000	Group 2020 £ 000	Company 2021 £ 000	Company 2020 £ 000
Cash at bank	215,554	186,110	19,564	6,440
Short-term deposits	29,980	33,097	11,076	16,052
	245,534	219,207	30,640	22,492

Group
Short-term deposits held by the Group have an original maturity of three months or less. At the balance sheet date the average maturity of deposits was three months (2020 - three months). The average interest rate was 0.31% (2020 - 0.29%). They are measured at amortised cost.

Within the Group figures for short-term deposits is £17,158,000 (2020 - £22,537,000) and within cash at bank is £56,128,000 (2020 - £49,397,000) 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 £11.1m (2020 - £16.1m) and the Company had no cash at bank held under terms which are currently restrictive (2020 - £nil).

22 Creditors

	Group 2021 £ 000	Group 2020 £ 000	Company 2021 £ 000	Company 2020 £ 000
Due within one year				
Loans and borrowings (see note 28)	6,966	10,777	-	-
Trade creditors	67,061	75,400	80	5
Amounts due to related parties	-	-	114,904	87,165
Corporation tax liability	7,876	-	-	-
Social security and other taxes	36,696	18,562	37	32
Other payables	2,646	1,140	-	-
Accrued expenses	32,900	30,143	172	205
Deferred income	8,055	3,421	-	-
Amounts payable on contracts	175,225	173,026	-	-
	337,425	312,469	115,193	87,407
Due more than one year				
Loans and borrowings (see note 28)	123,987	114,923	-	-
Contract retentions payable	10,683	17,526	-	-
Deferred income	28,998	17,646	-	-
	163,668	150,095	-	-

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.

Contract retentions payable after more than one year include £270,000 payable after more than 5 years (2020: £270,000).

23 Provisions for liabilities

Group

	Covid-19 provision £ 000	Deferred tax £ 000	Remedial provisions £ 000	Total £ 000
At 1 November 2020	3,913	7,194	29,466	40,573
Additional provisions	-	1,673	18,193	19,866
Provisions utilised	(3,913)	(7,778)	(16,270)	(27,961)
Unused provision reversed	-	-	(7,015)	(7,015)
At 31 October 2021	-	1,089	24,374	25,463

See note 13 for a breakdown of the deferred tax liabilities.

The COVID-19 provision represents the cost of a business restructure necessitated by the impact of the Coronavirus, comprising staff costs of £3.7m and onerous lease charges of £0.2m. This provision was fully utilised within 2021.

Remedial provisions comprise provisions for costs expected to be incurred in respect of identified remedial works on completed contracts. Whilst the extent and likely cost of the identified remedial work are reasonably certain, the detail and timing of that work, and the associated spend, have not yet been agreed. Although such remedial work may be delayed or deferred beyond the financial year 2021-22, there is no certainty that it will not be carried out in that year and hence the amounts provided have not been discounted.

24 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 schemes and amounted to £7,659,000 (2020 - £7,392,000). All costs were expensed as incurred and there were no amounts outstanding, by way of either amounts owing or commitments, at the year end (2020 - £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.

Group

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

Group 2021	Staff scheme £ 000	Executive scheme £ 000	Post-retirement medical scheme £ 000	Total £ 000
Total liability	98,700	10,528	5,416	114,644
Allocated outside of the Group	(9,870)	-	-	(9,870)
	88,830	10,528	5,416	104,774

2020	Staff scheme £ 000	Executive scheme £ 000	Post-retirement medical scheme £ 000	Total £ 000
Total liability	182,402	10,054	5,589	198,045
Allocated outside of the Group	(18,244)	-	-	(18,244)
	164,158	10,054	5,589	179,801

Company 2021	Staff scheme £ 000	Executive scheme £ 000	Total £ 000
Total liability	98,700	10,528	109,228
Allocated outside of the Group	(9,870)	-	(9,870)
	88,830	10,528	99,358

2020	Staff scheme £ 000	Executive scheme £ 000	Total £ 000
Total liability	182,402	10,054	192,456
Allocated outside of the Group	(18,244)	-	(18,244)
	164,158	10,054	174,212

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 made during the year were £17,875,000 (2020 - £8,000,000).

The date of the most recent comprehensive actuarial valuation was 31 October 2018. The pension cost relating to the scheme is assessed in accordance with the advice of an external, qualified actuary using the projected unit method. The assumptions which have a significant effect on the results of the valuation are those relating to the rate of return on the investments and the rates of increases in salaries and pensions. Both the pre-retirement and the post-retirement rate of return use the market-implied gilt yield curve plus 2.0%, tapering down to 0.75% by 2035. Salary increases are assumed to be in line with deferred revaluation increases, as the future salary increase assumption is lower than CPI. Statutory revaluation underpins these benefits. Pension increases are based on LPI Pension Increases curves derived from RPI, adjusted for the impact of the cap and floor and with an allowance for inflation volatility. The triennial actuarial valuation showed a net deficit of £182.4m, with the market value of the scheme's assets amounting to £438.7m which was sufficient to cover 71% of the benefits that had accrued to members. The scheme 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.

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:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	533,300	500,700
Present value of defined benefit obligation	(632,000)	(683,102)
Net liability	(98,700)	(182,402)

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 2020	683,102
Interest cost	10,700
Actuarial gains and losses	(37,002)
Benefits paid	(24,800)
Present value at 31 October 2021	632,000

Fair value of scheme assets

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

	£ 000
Fair value at 1 November 2020	500,700
Interest income	7,900
Return on plan assets, excluding amounts included in interest income/(expense)	31,600
Employer contributions	17,900
Benefits paid	(24,800)
Fair value at 31 October 2021	533,300

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Multi Asset fund	205,500	215,800
Cash	17,700	8,900
LDI	310,100	276,000
	533,300	500,700

Return on scheme assets

	2021 £ 000	2020 £ 000
Return on scheme assets	31,600	23,959

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 2021 was £12,098,000 (2020 - £12,965,000). 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 2021 was £583,000 (2020 - £936,000).

Principal actuarial assumptions

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

	2021 %	2020 %
Discount rate	1.8	1.6
Retail Price Index (RPI) inflation	3.25	2.8
Consumer Price Index (CPI) inflation	2.35	2.0
Rate of increase in salaries	2.35	2.0
Rate of increase in pension payments	2.50 - 3.50	2.50 - 3.50

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	22.00	22.50
Current UK pensioners at retirement age - female	23.90	23.90
Future UK pensioners at retirement age - male	22.40	22.90
Future UK pensioners at retirement age - female	24.40	25.00

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 to the DC scheme were based on a percentage of a member's pensionable salary which were matched by the employer. Additional contributions to the DB scheme of £17.9m (2020 - £8.0m) have been made by the employer. Additional employer payments will continue in 2022 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 £1,163,000 (2020 - £1.171,000).

The date of the most recent comprehensive actuarial valuation was 31 December 2018. 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 £10.5m.

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:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	38,354	32,920
Present value of defined benefit obligation	(48,882)	(42,974)
Net liability recognised in the balance sheet	(10,528)	(10,054)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	£ 000
Present value at 1 November 2020	42,974
Current service cost	594
Interest cost	684
Actuarial gains and losses	5,084
Benefits paid	(454)
Present value at 31 October 2021	48,882

Fair value of scheme assets

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

	£ 000
Fair value at 1 November 2020	32,920
Interest income	532
Return on plan assets, excluding amounts included in interest income/(expense)	4,193
Employer contributions	1,163
Benefits paid net of insurance annuity income	(454)
Fair value at 31 October 2021	38,354

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £ 000	2020 £ 000
Fixed interest	25,314	21,727
Equity instruments	11,890	10,205
Cash	1,150	988
	38,354	32,920

Return on scheme assets

	2021 £ 000	2020 £ 000
Return on scheme assets	4,193	*(628)*

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:

	2021 %	2020 %
Future salary increases	3.65	3.20
Future pension increases (max)	3.25	2.80

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	22.10	21.60
Current UK pensioners at retirement age - female	23.10	22.60
Future UK pensioners at retirement age - male	24.40	23.70
Future UK pensioners at retirement age - female	25.60	24.90

Post-retirement medical scheme

The Group provided unfunded post-retirement medical benefits for a number of its employees after retirement. This scheme is now closed to new members and all members eligible have now retired.

Reconciliation of scheme liabilities to liabilities recognised

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

	2021 £ 000	2020 £ 000
Present value of scheme liabilities	(5,416)	(5,589)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	£ 000
Present value at 1 November 2020	(5,589)
Interest cost	(88)
Employer contributions	155
Change to assumptions	106
Present value at 31 October 2021	(5,416)

Principal actuarial assumptions

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

	2021 %	2020 %
Discount rate	1.80	1.60
Medical expenses inflation	10.00	9.50

Post retirement mortality assumptions

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

25 Called up share capital

Group and company

Allotted, called up and fully paid shares

	No. 000	2021 £ 000	No. 000	2020 £ 000
Ordinary of £1 each	6,988	6,988	7,103	7,103
A Ordinary of £0.0001 each	7,218	1	7,218	1
	14,206	6,989	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.

Share Buy back

On 25 February 2021, the company entered into an agreement to buy back 114,746 ordinary shares of £1 each from T&I Limited for the agreed amount of £500,000.

26 Reconciliation of Operating profit to cash generated by operations

	Note	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Profit/(loss) for the financial year		8,076	(14,007)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	8,060	10,194
Financial instrument net gains/(losses) through profit and loss		6,342	(944)
Profit on disposal of property, plant and equipment	6	(605)	(526)
(Profit)/loss from revaluations of investment properties	4	-	(40)
Profit from disposals of investments	4	(6)	(98)
Amounts written off investments		811	9,055
Decrease in retirement and employee benefit obligations net of actuarial changes		(13,388)	(7,200)
Finance income	8	(12,614)	(14,329)
Finance costs		16,901	10,297
Share of profit of equity accounted investees		(5,798)	(5,582)
Taxation	13	1,096	(388)
		8,875	(13,568)
Working capital adjustments			
Decrease in stocks		4,548	1,332
Decrease in debtors		28,601	19,091
Increase in creditors		15,638	14,134
(Decrease)/increase in provisions		(9,005)	18,662
Cash generated from operations		48,657	39,651
Corporation tax received/(paid)		485	(627)
Net cash generated in operating activities		49,142	39,024

27 Net cash reconciliation

	2020 £000	New finance leases £000	Cash flows £000	2021 £000
Cash at bank	219,207	-	26,327	245,534
Finance leases	(4,207)	(1,217)	2,545	(2,879)
Net cash	215,000	(1,217)	28,872	242,655

28 Loans and borrowings

	2021 £ 000	Group 2020 £ 000
Current loans and borrowings		
Finance leases	1,206	2,486
Senior loans	5,760	8,291
	6,966	10,777

	2021 £ 000	Group 2020 £ 000
Non-current loans and borrowings		
Finance leases	1,673	1,720
Senior loans	122,314	113,203
	123,987	114,923

Group

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

	2021 £ 000	2020 £ 000
Senior loans after more than five years by instalments	61,890	58,388

Senior loans after five years

The Group has the following Senior loans:

£26,291,000 (2020 - £28,294,000) 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.

£28,058,000 (2020 - £28,856,000) 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.

£47,209,000 (2020 - £52,053,000) 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.

£20,854,000 (2020 - nil) taken out by a subsidiary – McAulay Group Limited. The Senior loan accrues interest on a semi-annual basis at 3.375%. The Senior loan is due for repayment in 2028 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.

29 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 plant and equipment in note 15.

The total future minimum lease payments are as follows:

	2021 £ 000	2020 £ 000
Not later than one year	1,206	2,486
Later than one year and not later than five years	1,673	1,720
	2,879	4,206

Operating leases
The total future minimum lease payments are as follows:

	2021 £ 000	2020 £ 000
Not later than one year	1,530	3,174
Later than one year and not later than five years	1,914	863
	3,444	4,037

The amount of non-cancellable operating lease payments recognised as an expense during the year was £15,240,000.00 (2020 - £12,808,000), comprising land and buildings £3,639,000 (2020: £3,843,000) and plant and machinery £11,601,000 (2020: £8,965,000).

Operating leases - lessor
The total future minimum lease payments are as follows:

	2021 £ 000	2020 £ 000
Not later than one year	96	96
Later than one year and not later than five years	800	938
Later than five years	385	441
	1,281	1,475

Total contingent rents recognised as income in the period are £1,173,000 (2020 - £1,675,000).

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:

	2021 £ 000	2020 £ 000
Not later than one year	-	116
Later than one year and not later than five years	1,914	-
	1,914	116

The amount of non-cancellable operating lease payments recognised as an expense during the year was £116,000 (2020 - £232,000).

30 Dividends

Interim dividends paid

	2021 £ 000	2020 £ 000
Interim dividend of £6.58081 (2020 - £Nil) per Ordinary share	475	-

The Directors are not proposing a final dividend (2020 - £Nil).

31 Commitments

Group

Capital commitments
There were commitments of £1.7m at 31 October 2021 (2020: £3.2m) in respect of the acquisition of tangible fixed assets. There were no material commitments (2020: £Nil) in respect of intangible fixed assets.

The total amount contracted for but not provided in the financial statements was £Nil (2020 - £Nil).

32 Contingent liabilities

Group
There were contingencies in respect of the following:

Bonds are provided in the normal course of business, providing assurance of;

• Compensation in respect of the performance of contracts;
• Monies received that would otherwise be withheld as contract retentions; and
• Client materials stored off-site.

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

33 Related party transactions

Group
There were transactions amounting to £135.6m (2020 - £68.9m) in respect of construction and other contracts on normal commercial terms with various joint arrangements, of which £1.2m (2020 - £15.4m) was owing at the year end and included within debtors due within one year (note 20).

There were transactions amounting to £44.8m (2020 - £28.3m) in respect of construction and other contracts on normal commercial terms with joint ventures and unlisted investments, of which £nil (2020 - £0.3m) was owing at the year end and included within debtors due within one year (note 20).

At the year end, BCM McAlpine Limited owed the Group £60.1m (2020 - £60.1m). During the year no recoveries were received. (2020 - £nil). During the year the Group increased the provision against this balance by £1.0m (2020 - £4.5m). BCM McAlpine Limited is a jointly controlled entity.

Included within turnover were management fees of £0.1m (2020 - £0.1m) received from various joint ventures, of which £nil (2020 - £nil) was outstanding at the year end. Included within interest receivable is £0.8m (2020: £0.8m) relating to interest on a loan to a joint venture of which £4.8m (2020: £4.2m) was outstanding at the year end.

Company

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

34 Acquisition of subsidiary undertaking

Pitsford Street Limited

The group acquired the final 25% of the issued share capital of Pitsford Street Limited, a company whose primary activity is the management of a property development on 25 January 2021 for £1,000,000 in cash.
The group had originally acquired 50% of the share capital on 28 January 2019 for £2,000,000 in cash and a further 25% on 8 June 2020 for £1.
The acquisition has been accounted for under the acquisition method. The fair value of the identifiable assets and liabilities to the Group were as follows;

	Fair values
	£000
Current assets	
Stock- WIP	14,141
Debtors	22
Cash	6
Total assets	**14,169**
Current liabilities	
Creditors	(325)
Long term liabilities	
Loans	(14,043)
Total liabilities	**(14,367)**
Net assets/(liabilities)	**(198)**
Goodwill	3,198
Consideration	**3,000**

Goodwill will be amortised on a straight-line basis over a useful life of 3 years.
In the year ended 31 October 2021, turnover of £13,250,000 and loss after tax of £401,163 (including goodwill amortisation of £799,484) were included in the consolidated profit and loss account in respect of the above acquisition since the acquisition date.

McAulay Group Limited

The group acquired 75% of the issued share capital of McAulay Group Limited, a company based in Guernsey whose primary activity is the management of investment properties on 19 January 2021 for £1,550,000 in cash.

The acquisition has been accounted for under the acquisition method. The fair value of the identifiable assets and liabilities to the Group were as follows;

	Fair values
	£000
Fixed assets	
Investment properties	33,375
Current assets	
Debtors	511
Other debtors	289
Cash	1,104
Total assets	**35,279**
Current liabilities	
Creditors	(848)
Long term liabilities	
Loans	(20,855)
Shareholder loan	(3,566)
B Shares	(12,403)
Total liabilities	**(37,672)**
Net assets/(liabilities)	**(2,393)**
Goodwill	3,943
Consideration	**1,550**

Goodwill will be amortised on a straight-line basis over a useful life of 10 years.
In the year ended 31 October 2021, turnover of £2,314,091 and profit after tax of £792,014 (including goodwill amortisation of £328,541) were included in the consolidated profit and loss account in respect of the above acquisition since the acquisition date.
Given the net liabilities position there is no minority interest calculation.

35 Financial instruments

Group

Categorisation of financial instruments 2021	Financial assets at fair value through profit or loss £ 000	Derivatives at fair value through profit or loss £ 000	Derivatives used for hedging £ 000	Total £ 000
Joint ownership properties	573	-	-	573
PPP financial assets	110,733	-	-	110,733
Other financial assets	12,091	-	-	12,091
Inflation swaps	-	1,071	-	1,071
Interest rate swaps	-	-	(15,341)	(15,341)
	123,397	1,071	(15,341)	109,127

Categorisation of financial instruments 2020	Financial assets at fair value through profit or loss £ 000	Derivatives at fair value through profit or loss £ 000	Derivatives used for hedging £ 000	Total £ 000
Joint ownership properties	1,145	-	-	1,145
Loans	2,783	-	-	2,783
PPP financial assets	118,299	-	-	118,299
Other financial assets	26,776	-	-	26,776
Inflation swaps	-	4,654	-	4,654
Interest rate swaps	-	-	(21,927)	(21,927)
	149,003	4,654	(21,927)	131,730

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 increase 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 2.5% dependent on the time to maturity and the jurisdiction of the asset.

The change in value included in profit or loss is a loss of £1,631,000 (2020 - profit of £944,000).

The fair value of the financial assets is £110,733,000 (2020: £118,299,000). This has been calculated using the discounted cash flows used to repay the debt. The discount rate is made up from a yield rate provided by the Bank of England yield curve and a premium is added to reflect the risk associated with these assets.

The fair value of the financial assets will fluctuate in line with the yield rate and the premium added to this. The effects of a change in the yield rate on the fair value are as follows;

	2021	2020
	£000	£000
At market rate between 2.34% and 3.13% (2020: between 1.59% and 3.29%)	110,733	118,299
At market rate plus 1%	106,035	112,502
At market rate less 1%	117,551	124,765

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 2021 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 £1,071,000 (2020 - £4,654,000) and the change in value included in profit or loss is a loss of £3,722,000 (2020- gain of £1,063,000)

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 2021 and 2037 (see table below).

The hedging arrangement fixes the total interest payable on the Senior loans to between 5.26% and 5.63%.

During 2021, a hedging gain of £6,342,000 (2020 - loss of £44,000) 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 £60,221,000, 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 has been determined by discounting the future cash flows of the interest rate swaps.

The fair value liability of the financial instruments designated as hedging instruments at 31 October 2021 is £15,570,000 (2020 - £21,927,000).

The fair value liability of the interest rate swap reduced by £3,448,000 (2020: increase of £2,417,000).

The amount reclassified from equity to profit or loss for the year is £2,735,000 (2020: £2,373,000).

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.

Interest rate swap loan maturity	2021	2020
	£000	£000
Within one year	2,681	2,567
Between two and five years	9,312	9,897
After five years	10,656	12,753
Total	**22,649**	**25,216**

36 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.

37 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	00168655		100% ordinary
Derby Joinery Limited	01615045		100% ordinary
McAlpine Limited		Cayman Islands	100% ordinary
Partnership Insurance Company		Cayman Islands	100% ordinary
Sir Robert McAlpine Limited	00566823		100% ordinary
Sir Robert McAlpine (Holdings) Limited ^	02754943		100% ordinary
Sir Robert McAlpine Management Contractors Limited	01157770		100% ordinary
St. Blaise (1998) Limited	02083075		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
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	04718045		100% ordinary
Merlot Developments Limited	06048528	*	100% ordinary
Oak Court Estates (Langstone, Mon.) Limited	00869982	*	100% ordinary
Oakus Developments Limited	04452226	*	100% ordinary
Raglan Development Limited	09854957	*	100% ordinary
Robert McAlpine Enterprises Limited	04053622		100% ordinary
Sir Robert McAlpine Enterprises Limited ^	01389155		100% ordinary
White Rock Business Park Limited	06765295		82% ordinary
Tempus Ten (Management) Limited	05256335		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
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
Jersey Waterfront Hotel Development Limited #		Jersey	50% ordinary
McAulay Holdings Limited	12832082	*	100% ordinary
McAulay Group Limited		Guernsey	75% ordinary
McAulay (Market Buildings) Limited		Guernsey	75% ordinary
McAulay (Tudor House) Limited		Guernsey	75% ordinary
Monkwearmouth Development Limited #	13232778		50% ordinary
Pitsford Street Limited	10511043	*	100% ordinary

Company	Registered company number	Country of incorporation / registration	Interest in shares
Property development and investments (continued...)			
MSDL Holdings Limited #	11357148		50% ordinary
MSDL Properties Limited #	10865339		50% ordinary
Red Kite Securities Limited #	07771556		50% ordinary
Scarmac Limited #	04092488		50% ordinary
Springfield Village Estate Limited #	11164792		50% ordinary
STEP Springfield Village Limited #	11153704		50% ordinary
UK LP Gore Street Limited #	09716816		50% ordinary
Consortium 220 LLP #	S0304318		33.33% ordinary
UBW Limited #		Cayman Islands	25% 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.
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.
McAulay Group Limited's and all McAulay group companies registered addresses are No 1 Clifton Steps Market Street, St Peter Port, Guernsey GY1 2PJ.

Milton Shoot 2011 Limited was dissolved on 17 August 2021.
Tempus Ten (Management) Limited was sold on 1 November 2021.
McAulay Holdings Limited was incorporated on 24 August 2020.
75% of the share capital of McAulay Group Limited was acquired on 14 January 2021. This company owns McAulay (Market Buildings) Limited and McAulay (Tudor House) Limited.

Company	Registered company number	Country of incorporation / registration	Interest in shares
PPP investments			
Autolink Concessionaires (A19) Limited	04020725		100% ordinary
Autolink Holdings (A19) Limited	04020620		100% ordinary
Pinnacle Schools (Gateshead) Holdings Limited	05430017		100% ordinary
Pinnacle Schools (Gateshead) Limited	05430208		100% ordinary
Sir Robert McAlpine Capital Ventures Limited	03019895		100% ordinary
Sir Robert McAlpine Capital Ventures Group Holdings Limited	13136119		100% ordinary
Sir Robert McAlpine Capital Ventures (Holdings) Limited	13139453		100% ordinary
Sir Robert McAlpine Healthcare (Dawlish) Limited	03319534	*	100% ordinary
Sir Robert McAlpine Road Holdings Limited	09651878	*	100% ordinary
Sir Robert McAlpine (A19) Limited	09627735	*	100% ordinary

Company	Country of incorporation / registration	Interest in shares
PPP investments (continued...)		
Sir Robert McAlpine (M6) Limited	* 096515108	100% subsidiary
SRM (Redcar & Cleveland) Holdings	06445780	100% subsidiary
SRM (Redcar & Cleveland) Limited	06445713	100% subsidiary
Paget Health Services (Holdings) Limited #	Bermuda	58% ordinary
Paget Health Services Limited #	Bermuda	58% ordinary
Autolink Concessionaires (M6) plc #	03201364	19.5% ordinary
Autolink Holdings (M6) Limited #	03319443	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.

Sir Robert McAlpine Capital Ventures Group Holdings Limited was incorporated on 15 January 2021.
Sir Robert McAlpine Capital Ventures (Holdings) Limited was incorporated on 18 January 2021.

38 Events after the reporting date

On 24 February 2022, an invasion of Ukraine by Russian military forces commenced, which has to date given rise to increased energy and commodity prices throughout the UK and Europe and significant uncertainty in financial markets worldwide. The Group has assessed, and will continue to assess the implications of the events in Ukraine, but currently there is considered to be no material impact on the business's financial performance or position.

Post year end, an additional contribution of £21m was made by Renewable Energy Systems Holdings Limited Group against the total Defined Benefit pension scheme liability of £98.7m in note 24.