Registration number: 01050970

Newarthill Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 October 2020

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	Deloitte LLP Statutory Auditor London United Kingdom

Newarthill Limited

Strategic Report for the Year Ended 31 October 2020

The Directors present their strategic report for the year ended 31 October 2020.

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
This unpredicatble financial year has been incredibly challenging for our people, the sectors in which the Group operate, the wider economy and society at large. Yet, despite this, the Group remains optimistic for a brighter future.

UK construction
Revenue for the financial year was lower than the prior year, primarily as a result of the COVID-19 pandemic sweeping through the global economy and impacting the UK from March 2020 onwards. At the commencement of the pandemic, the construction business along with almost all of the UK construction sector, closed all construction sites other than those deemed essential by the UK Government. The business furloughed employees utilising the Government Coronavirus Job Retention Scheme (CJRS), where applicable and all remaining staff were requested to work from home, to protect the Group's employees and their loved ones.

This initial lockdown resulted in significantly lower revenues in April and May 2020 after which all sites were gradually and safely reopened. Despite further lockdowns as the wider economy navigated its way through the pandemic, all construction activity has continued following the implementation of standard operating procedures, to ensure the safety and wellbeing of our people, projects, clients and the communities we work in. This has allowed the construction business to quickly reduce its use of the CJRS scheme and to redeploy employees back to the business. Whilst productivity levels have gradually increased during the course of the year to almost pre pandemic levels as the financial year closed, the implementation of these measures has inevitably resulted in reduced output and programme delays during the financial year with a consequential impact on profitability.

Projects that Sir Robert McAlpine Limited completed over the last year, include The Majestic, an iconic landmark in the centre of Leeds, new leisure and retail facilities to the St Enochs Centre in Glasgow -more than 35 years after completing the original building and following the collapse of another contractor, a 17-storey private rental scheme providing 190 apartments at the Riverside Salford in Manchester. Five schools across the Isle of Wight were also delivered as part of the government's £2.4bn Priority School Building Programme.

Looking forward Sir Robert McAlpine have won or commenced work on several notable projects including the refurbishment of 80, The Strand in London, the landmark Art Deco Grade II listed Shell Mex House, Residential schemes at Morello II in Croydon, providing 456 units across three separate buildings and a mixed-use development at Hockley Mills in Birmingham delivering 395 apartments and 28,000 square feet of commercial space. The construction business continues to build on its successful six-year partnership with the Pinewood Group with the award of the next phase of the studios' ambitious expansion plans.

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

<u>Caribbean Construction</u>
Although a small part of the group, our Caribbean business 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.

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

- Group turnover was £884.4m (2019: £1054.6m).
- The loss before taxation and exceptional items was £8.7m (2019: profit of £18.3m).
- The loss after taxation and after exceptional items was £14.0m (2019: profit of £18.6m).
- Group cash was £219.2m (2019: £175.8m).

Taxation
The Group has a tax credit of £0.4m (2019: Charge of £2.1m).

Cash and borrowings
The Group had cash balances of £219.2m (2019: £175.8m) at the year end. All the senior loan borrowings of £121.5m (2019: £128.4m) represented non-recourse debt of which £117.5m (2019: £123.4m) is in our wholly-owned PPP project companies.

Outlook
The Group continues to have a strong net cash balance post this reporting period with strong liquidity management mitigating the trading impact of COVID-19 and remains 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 expect to see a robust return to profitability in the coming year, driven in the main via an anticipated construction revenue increase by mid-2021 compared to 2019-20 as the impact of the pandemic begins to subside following the widespread rollout of vaccines and the normalisation of wider economy activity across the UK during the course of 2021. 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 is 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 - their quality, safety, sustainability, and delivery both on time and on budget.

b | The interests of the employees:

The retention of our existing workforce and the attraction of new talent is business critical to the Group. As a family business, whose success is based on people, the welfare of its employees is its number one priority. The Board is committed to creating a truly inclusive culture in which everyone is welcome, helping to inspire industry-wide change.

In January 2020, the Group introduced its new industry- leading Family First policies, which bring greater parity to parental leave. In line with our focus on driving inclusion, the Group has also opted to support the Flex Appeal campaign, initially launched by campaigner Anna Whitehouse. In our ambition to pursue true flexible working for everyone, we intend to address mental health, thus helping to tackle the issue of male suicide in construction, provide better work/life balance for employees, and reduce the gender pay gap.

At the start of each year, an Annual Conference allows the Group's strategic direction to be communicated with all employees. In addition to ongoing communications and newsletters, quarterly briefings offer formal channels to update the Group on regional and national performance.

Our internal communications channels, which include an internal web platform, social network "Yammer", regular newsletters, and social media, facilitate two-way communication between the Board and the Group's employees. An anonymous "monthly pulse" survey also allows the Board to keep abreast of employees' sentiment, and to take action quickly to address any emerging issues. A 24/7, independently run "Whistleblowing" hotline is also maintained, to address employee grievances which cannot be raised with and resolved by direct line management.

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

Maintaining sustainable and trustworthy relationships, with both our supply-chain partners and our customers, is at the heart of the Group's strategy and builds on its 150-year reputation as an established family business with strong values. The decade-long relationship with Maggie's Cancer Care Centres is a good example of the bonds we create with our partners and clients. In this financial year alone, the Group has built three new Maggie's Care Centres across the country. Throughout the years, our people have committed to raising £1million for Maggie's through charitable activities.

The Group's Employee Net Promoter Score, which measures employee loyalty and how likely employees are to recommend the business, is currently 25. This is 16 points above the True Benchmark score of 9, placing us in the upper quartile in our business sector.

Besides establishing strong trusting bonds, the Board recognises the importance of paying our partners on time in order to support their cash flow and performance. Sir Robert McAlpine Limited is signed up to the UK Government's Prompt Payment Code. In 2019-20 the average time to pay suppliers' invoices was 30 days, and 92% of invoices were settled within 60 days. On-time payment is monitored regularly, with 82% of suppliers' invoices paid in accordance with agreed credit terms in the year ended 31 October 2020. The Group does not use any supplier finance arrangements.

The Group maintains a regular flow of communication with our stakeholders, including supply-chain newsletters, and community newsletters for specific projects. Our supply-chain partners are fundamental to our success. We seek to maintain a transparent and fair procurement process, allowing our supply chain to understand our requirements and work with us collaboratively. We evaluate the performance of our supply chain in a fair and objective manner and encourage our partners to provide feedback against the same standards.

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

We are a strong, independent family-run business that has experienced and adapted to many changes and events throughout our 150-year history. We have a clear purpose beyond just profit, and the Board will accept nothing less than leaving a positive and lasting legacy on communities and on the environment as a result of our actions.

Building on the success of the previous Sustainability Roadmap introduced in 2016, the Group launched a new five-year Sustainability Strategy for 2020-2024, designed to deliver year-on-year improvements and targets in four categories: net zero carbon emissions; resource efficiency; ethical procurement; and social value. The SECR report on page (5) highlights the measures we are taking to improve energy efficiency.

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

The Board is fully supportive of its Ethics Commitment, which articulates what the Group is doing to uphold our values and to challenge those who fail to meet our high standards.

To fulfil our ambition to be the best place to work, we are ardently committed to promoting an inclusive culture in which everyone feels welcome and which reflects the diversity of our society.

The Group takes the issue of Modern Slavery very seriously and have opted to play an active role in the fight against it. Our actions are reported annually in Sir Robert McAlpine's Modern Slavery Statement. The Group feels it is our responsibility and duty to engage with our supply-chain partners to raise awareness on Modern Slavery, and to support their efforts in the battle against it. The Group was one of the first to actively engage with the Gang master and Labour Abuse Authority (GLAA) and continue to do so. A key component of the protocol is to share knowledge and best practice with our peers.

The Group has a positive commitment and open approach to whistleblowing, in line with our values of being honorable and acting responsibly.

f | The need to act fairly as between members of the Group:

The Group celebrated its 150th Anniversary in 2019, and the business is 100% family owned. The McAlpine family is still actively involved in the Group's governance and is committed to the success of the business. During our 150-year history as a strong independent family business, the Group has developed the foresight and experience to adapt, evolve, and capitalise on new opportunities.

In consultation with our people, we have established the core values by which we live and operate; we treat each other like family, we deliver excellence, we are honorable, responsible and enterprising.

The Board has a clear mandate to fulfil its commitment towards maintaining the integrity of the business, in the face of market and economic challenges, and developing our operations to best serve our clients, thereby preserving the value of the SRM brand for the benefit of the shareholders as well as the large number of other stakeholders.

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 capturing of emerging risks on a timely basis, and appropriate mitigation plans are put in place. The principal risks of the Group are set out below:

Macroeconomic and geopolitical changes: Whilst on 24 December 2020 negotiations were completed in respect of the UK-EU Trade and Co-operation agreement, uncertainty remains regarding the impact of labour, materials and administration on the Group's business. The potential impact on labour availability and the risk of increased costs due to currency fluctuations, tariffs and disruption to the supply chain, is a concern for the industry as a whole. We continue to plan and monitor our exposure to these issues with the focus on cash and liquidity. The Group monitors and reviews this and other macroeconomic and geopolitical risks on a regular basis.

COVID-19: The COVID-19 pandemic has created a major disruptive influence on the economy and the Construction industry. The longer-term impact is under constant consideration across the market, with the risk of reduced productivity amongst employees and the workforce and of delays in critical supplies. We are closely collaborating with our clients, supply chain and various industry bodies to help monitor the economic impact of COVID-19 and are poised to take further actions if necessary to ensure business stability.

Management of major contracts and bidding risk: The risks that the Group is exposed to depend on the size and complexity of the project together with the legal form of contract. The impact on financial performance and the viability of the company could be significant if there is a failure to maintain discipline in our tendering activity or properly manage our contracts. The Group maintains strong risk-based procedures with particular emphasis on the tendering process and change management. Project Governance is an embedded policy in the Group, which ensures all opportunities are assessed from both a technical and a commercial perspective. The Group's Investment Committee reviews and approves all contract opportunities and monitors their progress through to completion. Monthly reports are received on all projects, and key commercial risks identified and assessed.

Prevention of build quality issues: Quality issues arising from defective work have both a financial and reputational impact on the Group. There is an increased focus on technical competence and quality of delivery. The appointment of Head of Technical Compliance to lead the Company's response to the Building Safety Bill.

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

Health, Safety and Wellbeing: The Group is involved in activities that have the potential to result in personal or environmental harm, operational loss, regulatory, legal or financial penalties, and/or reputational loss. The Group has a primary focus on health, safety and wellbeing and continues to invest in the functional leadership, management policies and procedures, and new ways for communication and learning. Weekly Senior leadership HS&W reviews are held, and also Workforce Engagement Workshops, with a particular focus on behavioural safety.

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

Management of the brand and reputation of the Group: The Group has been in existence for over 150 years, and a has a widely recognised brand name and reputation in the market. Any actions or publicity which adversely impacted on its reputation could have a material impact on the Group's ability to secure new work and to attract and retain key talent. Reputational risks are formally reviewed each quarter and managed in conjunction with professional third-party support. The Group is a visible promoter and leader on ethical issues e.g., Modern Slavery and Bribery Act, and internal training is mandated on high-risk areas with policies in place to re-enforce behaviours.

Systems and data protection: Disruption to Group's operations and/or financial systems from IT failure, cyber threats or other loss of data, or contravention of data protection laws. The loss, corruption or theft of key systems or data could have a material impact on the Group's operations with the potential for regulatory fines, or financial loss due to business disruption. The Group has robust security protocols embedded in its current IT environment, which are periodically stress-tested both internally and by third parties, including cyber-security specialists whose area of focus includes hardware, electronic communications and use of cloud-based systems.

Defined Benefit Pension Scheme: The Group participates in two defined benefit pension schemes, both of which have a deficit. The failure to properly manage these schemes could result in an increase in the deficit, and/or the risk of an accelerated recovery plan being enforced by the Pensions Regulator, both of which could significantly impact the Group's liquidity. Robust recovery plans are in place and funding arrangements are agreed with Scheme Trustees with regular reviews of the funding position. Independent external advice is also obtained as part of the Group's ongoing deficit-mitigation strategy. Investment performance is monitored with advice on strategy obtained by the Trustees from independent experts, in addition to input from the Group.

Strategic Report for the Year Ended 31 October 2020

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 28|4|2021 and signed on its behalf by:

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Cullum McAlpine
Director

Newarthill Limited

Directors' Report for the Year Ended 31 October 2020

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 October 2020.

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 loss for the year before taxation amounted to £14,395,000 (2019: profit of £20,687,000). No interim dividends were paid during the year (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

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 6.

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.

Energy and carbon Reporting
The table below represents the Group's energy use and associated emissions from electricity and fuel in the UK for the 2019/20 reporting year. The scope of this data includes our construction sites and both permanent and temporary offices.

Our carbon measurement and verification processes continue to evolve as we look to reduce our emissions in line with the Group's NZC commitment. 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 2019 and 2020.

GHG emissions and energy usage data for period 1 November 2019 and 31 October 2020

Item		**UK and Offshore**
01	Emissions from combustion of gas (Scope 1 - tonnes of CO2e)	3,209
02	Emissions from combustion of fuel for transport purposes (Scope 1 - tonnes of CO2e) i.e fleet vehicles	752
03	Emissions from eletricity purchased for own use, including the purposes of transport (Scope 2 - tonnes of CO2e)	956*
04	Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 - tonnes of CO2e)	802
	Total gross CO2e based on above	**5,719**
05	Energy consumptipn used to calculate emissions	kWh
06	Tonnes of CO2e per £m revenue	6.46

* Whilst we're transitioning to a REGO certified renewable energy supply with zero carbon emissions, the 956 tonnes of CO2e emitted are through existing contracts which could not be amended or through a client supply (i.e. outside our control).

During 2020, the Group has taken a number of steps to improve energy efficiency. These include:
• Renewable-energy tariff procured.
• Revision of our company-sustainability strategy to focus on carbon reductions, with a commitment to achieve Net Zero Carbon by 2025.
• Our strategy provides projects with a list of meaningful actions that are implemented to reduce carbon emissions. These actions, when aggregated across the Group, will reduce our overall emissions.
• Automated reporting rolled out to capture carbon emissions data.
• We are committed to an annual reduction in caron emissions, signing up to the Carbon Trust Standard which will independently verify our emissions and certify against their standard.

Climate change risks and our responses
Climate change exposes us to both operational and transition risks as a business. This includes, for example, the impacts of extreme weather events and supply chain shortages on our operations, and increased regulation and oversight affecting the viability of existing products or services. Future risks also include the potential liability for emitting greenhouse gases, holding companies to account for their impact on climate change under the "polluter pays" principles.

We needed to act, and 2020 saw us revise our sustainability direction with more focused action around carbon reduction and a commitment to being Net Zero Carbon (NZC) by 2025. We have joined forces with a number of our peers in declaring a Climate Emergency, through developing and being founding signatories of the Contractors Declare movement.

Our policies and processes have been revised to reflect our NZC ambition, and we have implemented meaningful actions to drive down our carbon emissions across our operations. Our focus is on reducing emissions, and we have a phased approach to delivering our NZC ambition which prompts action, committing to an annual reduction in our carbon emissions.

Climate risks (continued)
In 2019/20 we signed up to the Carbon Trust Standard, to provide transparency on this approach, ensuring that we drive a culture of carbon reduction across our operations. We are currently being audited against the standard, which is only awarded to companies and organisations who measure and reduce their carbon emissions year on year. We expect to gain this certification in Q3 of 2020/21 and this will be an important step on our NZC pathway.

With ambiguity surrounding NZC pledges, we felt it important to gain third-party certification on our processes and it doesn't stop with the Carbon Trust. We are currently undertaking the necessary engagement and workstreams to get our carbon reduction commitment verified against the Science Based Target Initiative in 2020/21.

Addressing the Climate Emergency aligns to our business objectives and our vision of "proudly building Britain's future heritage".

It also makes commercial sense, as embedding a sustainable business model into our operations will reduce risk exposure and bring opportunities. For example, the solutions needed to address climate change will require collaboration and innovation at scale to provide solutions which are less carbon intensive, bringing access to new markets. The delivery of our sustainability ambitions will also improve our resource efficiency and productivity, reducing associated costs.

Importantly, transitioning to an NZC business model 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.

2019/20 has seen us formalise our response to the Climate Emergency and commit to making the necessary changes to adapt our business. We will be a strong advocate for the need to address this as a collective, sharing best practice and communicating our achievements and lessons learnt in an open and transparent way.

Going concern
The Group and the company have considerable financial resources and carry only non-recourse debt. Following the COVID-19 pandemic, the Directors have prepared cashflow forecasts to April 2022 showing a base case with a downside scenario modelled against this. For the Group's construction business, the base case shows the cashflow generated from secured and nearly secured contracts, government assistance on COVID-19 related schemes and short term working capital needs. The downside scenario demonstrates the effect of reduced order intake, delayed settlements and increased remedial cash ouftlows. This was designed to establish a pessimistic but plausible downside and demonstrates that sufficient cash headroom can be maintained throughout this period. The PPP investments have remained operational throughout COVID-19 and continue to generate funds to meet the non recourse debt repayments. Development activity has slowed down due to COVID-19 but we are now beginning to see a rise in the number of potential opportunities.

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

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

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

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

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

Newarthill Limited

Directors' Report for the Year Ended 31 October 2020

Post balance sheet events
On 24 December 2020 the UK Government announced that a Brexit trade agreement had been reached, such that there would be no tariffs or quotas on the movement of goods, originating in either place, between the EU and the UK, when the UK left the EU's single market and customs union from 23:00 on 31 December 2020.

The successful development and roll-out of effective COVID-19 vaccines are clearly a positive and welcome step in the global fight against the pandemic. However the discovery of various mutations, together with continued growth in numbers of new cases, are such that considerable uncertainty remains as to the timing of social and economic recovery from the virus. Steps to mitigate the impact on the Group from COVID-19 have been implemented, as described more fully in the Strategic report.

The Chancellor in his Budget statement on 3 March 2021 announced an increase in the United Kingdom Corporation Tax rate for large companies from 19% to 25% with effect from 1 April 2023. This is not expected to have a material impact on the level or recoverability of the deferred tax assets recognised by the Group at 31 October 2020.

Approved by the Board on 28.04.21 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.

Independent Auditor's Report to the Members of Newarthill Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Newarthill Limited (the 'parent company') and its subsidiaries (the 'group'):
• give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2020 and of the group's loss for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
• the consolidated profit and loss account;
• the consolidated statement of comprehensive income;
• the consolidated and parent company balance sheets;
• the consolidated and parent company statements of changes in equity;
• the consolidated cash flow statement; and
• the related notes 1 to 33.

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

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:
• the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Newarthill Limited

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and 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.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

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

London, United Kingdom

28 April 2021

Newarthill Limited

Consolidated Profit and Loss Account for the Year Ended 31 October 2020

	Note	Before exceptional items 2020 £ 000	Exceptional items* 2020 £ 000	2020 £ 000	Before exceptional items 2019 £ 000	Exceptional items* 2019 £ 000	As restated 2019 £ 000
Turnover	3	883,674	699	884,373	1,054,587	-	1,054,587
Cost of sales		(866,882)	(1,275)	(868,157)	(1,011,090)	2,371	(1,008,719)
Gross profit/(loss)		16,792	(576)	16,216	43,497	2,371	45,868
Administrative expenses		(37,189)	(5,077)	(42,266)	(34,895)	-	(34,895)
Other operating gains	4	9,642	-	9,642	399	-	399
Operating (loss)/profit	6	(10,755)	(5,653)	(16,408)	9,001	2,371	11,372
Gain on financial assets at fair value through profit and loss account	30	944	-	944	3,716	-	3,716
Interest receivable and similar income	8	14,329	-	14,329	15,919	-	15,919
Amounts written off investments	5	(9,055)	-	(9,055)	(2,180)	-	(2,180)
Interest payable and similar charges	9	(9,787)	-	(9,787)	(13,687)	-	(13,687)
		(3,569)	-	(3,569)	3,768	-	3,768
Share of profit of equity accounted investees		5,582	-	5,582	5,547	-	5,547
(Loss)/profit before tax		(8,742)	(5,653)	(14,395)	18,316	2,371	20,687
Taxation credit/ (charge)	13	(686)	1,074	388	(2,128)	-	(2,128)
(Loss)/profit for the financial year		(9,428)	(4,579)	(14,007)	16,188	2,371	18,559

*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 2020

	2020 £ 000	2019 £ 000
Statutory (Loss)/profit for the financial year	(14,007)	18,559
Unrealised loss on cash flow hedges	(44)	(3,454)
Foreign currency translation loss	(2,442)	(1,196)
Remeasurement (loss)/gain on defined benefit pension and post-retirement medical schemes net of deferred tax	(20,670)	1,185
	(23,156)	(3,465)
Total comprehensive (loss)/income for the year	(37,163)	15,094
Total comprehensive (loss)/income attributable to:		
Equity shareholders of the company	(37,163)	15,094

Newarthill Limited

(Registration number: 01050970)
Consolidated Balance Sheet as at 31 October 2020

	Note	2020 £ 000	2019 £ 000
Fixed Assets			
Intangible assets	14	2,776	3,760
Tangible assets	15	40,911	46,304
Investment properties	16	11,747	21,405
Investments	17	45,764	52,046
Other financial assets	18	26,776	26,696
		127,974	150,211
Current assets			
Stocks	19	59,752	60,443
Debtors due within one year	20	152,403	158,430
Debtors due after one year	20	169,711	174,279
Derivative financial instruments	30	4,654	3,591
Cash and cash equivalents	21	219,207	175,754
		605,727	572,497
Creditors: Amounts falling due within one year	22	(312,469)	(299,918)
Net current assets		293,258	272,579
Total assets less current liabilities		421,232	422,790
Creditors: Amounts falling due after more than one year	22	(150,095)	(158,438)
Derivative financial instruments	30	(21,927)	(21,639)
Provisions for liabilities	23	(40,573)	(21,801)
Net assets excluding employee benefits liabilities		208,637	220,912
Pension and other schemes	24	(179,801)	(154,913)
Net assets		28,836	65,999
Capital and reserves			
Called up share capital	25	7,104	7,104
Capital redemption reserve		15,171	15,171
Hedging reserve		(21,683)	(21,639)
Other reserves		15,299	17,219
Profit and loss account		12,945	48,144
Total equity		28,836	65,999

Approved and authorised by the Board on 28 April 2021 and signed on its behalf by:

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Cullum McAlpine

Director

The notes on pages 24 to 61 form an integral part of these financial statements.

Newarthill Limited

(Registration number: 01050970)
Company Balance Sheet as at 31 October 2020

	Note	2020 £ 000	2019 £ 000
Fixed Assets			
Investments	17	132,527	132,527
Current assets			
Debtors due within one year	20	75,390	55,310
Debtors due after one year	20	31,822	24,241
Cash and cash equivalents	21	22,492	19,635
		129,704	99,186
Creditors: Amounts falling due within one year	22	(87,407)	(83,707)
Net current assets		42,297	15,479
Total assets less current liabilities		174,824	148,006
Provisions for liabilities		-	(62)
Net assets excluding pension schemes liability		174,824	147,944
Pension schemes	24	(174,212)	(149,539)
Net assets/(liabilities)		612	(1,595)
Capital and reserves			
Called up share capital	25	7,104	7,104
Capital redemption reserve		15,171	15,171
Profit and loss account		(21,663)	(23,870)
Total equity		612	(1,595)

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 £22,731;590 (2019 - profit of £678,053).

Approved and authorised by the Board on 28 April 2021 and signed on its behalf by:

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Cullum McAlpine

Director

Newarthill Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 October 2020

	Share capital £ 000	Capital redemption reserve £ 000	Foreign currency translation £ 000	Hedging reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2019	7,104	15,171	17,741	(21,639)	(522)	48,144	65,999
Loss for the financial year	-	-	-	-	-	(14,007)	(14,007)
Currency translation gains/(losses)	-	-	(2,442)	-	-	-	(2,442)
Remeasurement losses on pension and post retirement medical schemes net of deferred tax	-	-	-	-	-	(20,670)	(20,670)
Gains/(losses) arising during the year	-	-	-	(2,417)	-	-	(2,417)
Reclassified to P&L	-	-	-	2,373	-	-	2,373
Total comprehensive (loss)/income	-	-	(2,442)	(44)	-	(34,677)	(37,163)
Transfers	-	-	-	-	522	(522)	-
At 31 October 2020	7,104	15,171	15,299	(21,683)	-	12,945	28,836

The notes on pages 24 to 61 form an integral part of these financial statements.

Newarthill Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 October 2020

	Share capital £ 000	Capital redemption reserve £ 000	Foreign currency translation £ 000	Hedging reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 November 2018	7,104	15,171	18,937	(18,185)	238	27,640	50,905
Profit for the financial year	-	-	-	-	-	18,559	18,559
Currency translation gains/(losses)	-	-	(1,196)	-	-	-	(1,196)
Remeasurement losses on pension and post retirement medical schemes net of deferred tax	-	-	-	-	-	1,185	1,185
Gains/(losses) arising during the year	-	-	-	(5,774)	-	-	(5,774)
Reclassified to P&L	-	-	-	2,320	-	-	2,320
Total comprehensive income	-	-	(1,196)	(3,454)	-	19,744	15,094
Transfers	-	-	-	-	(760)	760	-
At 31 October 2019	7,104	15,171	17,741	(21,639)	(522)	48,144	65,999

Newarthill Limited

Company Statement of Changes in Equity for the Year Ended 31 October 2020

	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 financial year	-	-	22,732	22,732
Remeasurement losses on pension and post retirement medical schemes net of deferred tax	-	-	(20,525)	(20,525)
Total comprehensive income	-	-	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 2018	7,104	15,171	(25,740)	(3,465)
Profit for the year	-	-	678	678
Remeasurement losses on pension and post retirement medical schemes net of deferred tax	-	-	1,192	1,192
Total comprehensive loss	-	-	1,870	1,870
At 31 October 2019	7,104	15,171	(23,870)	(1,595)

Newarthill Limited

Consolidated Statement of Cash Flows for the Year Ended 31 October 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
(Loss)/profit for the financial year		(14,007)	18,559
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	10,194	10,465
Financial instrument net (losses)/gains through profit and loss		(944)	(3,716)
Profit on disposal of property, plant and equipment	6	(526)	(241)
(Profit)/loss from revaluations of investment properties	4	(40)	850
Profit from disposals of investments	4	(98)	-
Amounts written off investments		9,055	2,180
Decrease in retirement and employee benefit obligations net of actuarial changes		(7,200)	(4,383)
Finance income	8	(14,329)	(15,919)
Finance costs		10,297	14,087
Share of profit of equity accounted investees		(5,582)	(5,547)
Taxation	13	(388)	2,128
		(13,568)	18,463
Working capital adjustments			
Decrease/(increase) in stocks		1,332	(3,045)
Decrease in debtors		19,092	33,505
Increase/(decrease) in creditors		14,133	(30,600)
Increase in provisions		18,662	8,805
Cash generated from operations		39,651	27,128
Corporation tax paid		(627)	(34)
Net cash generated in operating activities		39,024	27,094
Cash flows from investing activities			
Interest and dividends received		16,018	24,031
Acquisition of tangible assets		(3,537)	(14,032)
Proceeds from sale of tangible assets		1,723	2,517
Acquisition of investment properties		(397)	-
Proceeds from sale of investment properties		9,600	1,255
Acquisition of listed and unlisted securities	18	(334)	-
Proceeds from sale of listed and unlisted securities		(428)	-
Cash receipts/(payments) from repayment of loans, classified as investing activities	17	1,391	(107)
Advances of loans, classified as investing activities	17	(141)	129
Investments in joint ventures and associates		(483)	(1,968)
Net cash generated from investing activities		23,412	11,825
Cash flows from financing activities			
Interest paid		(6,694)	(8,989)
Repayment of other borrowing		(6,864)	(10,682)
Payments to finance lease creditors		(4,105)	(4,310)
Net cash used in financing activities		(17,663)	(23,981)
Net increase in cash and cash equivalents		44,773	14,938

The notes on pages 24 to 61 form an integral part of these financial statements.

Newarthill Limited

Consolidated Statement of Cash Flows for the Year Ended 31 October 2020

	Note	2020 £ 000	2019 £ 000
Cash and cash equivalents at start of year		175,754	162,179
Effect of exchange rate fluctuations on cash held		(1,320)	(1,363)
Cash and cash equivalents at end of year		219,207	175,754

The notes on pages 24 to 61 form an integral part of these financial statements.

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

These financial statements were authorised for issue by the Board on 28 April 2021.

2 Accounting policies

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

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

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

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 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosures.

Basis of consolidation
The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 October 2020.

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.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group is set out in the Group balance sheet and the accompanying notes to the financial statements. The Group's cash and borrowings positions are set out in the Strategic Report and notes 21 to 26 to the financial statements. A description of the Group's management of interest rate risk and treasury risk are set out in the Strategic Report.

The Group and the company have considerable financial resources and carry only non-recourse debt. Following the COVID-19 pandemic, the Directors have prepared cashflow forecasts to April 2022 showing a base case with a downside scenario modelled against this. For the Group's construction business, the base case shows the cashflow generated from secured and nearly secured contracts, government assistance on COVID-19 related schemes and short term working capital needs. The downside scenario demonstrates the effect of reduced order intake, delayed settlements and increased remedial cash outflows. This was designed to establish a pessimistic but plausible downside and demonstrates that sufficient cash headroom can be maintained throughout this period. The PPP investments have remained operational throughout COVID-19 and continue to generate funds to meet the non recourse debt repayments. Development activity has slowed down due to COVID-19 but we are now beginning to see a rise in the number of potential opportunities.

Taking this into account, the directors have a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for at least 12 months from the date of approval of 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 uncertainity are:

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

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

Deferred tax 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. £4,026k of £44,915k deferred tax assets recognised at 31 October 2020 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.

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

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:

	2020 £ 000	2019 £ 000
Contracting	824,391	1,018,033
PPP concessions	43,533	32,581
Property	16,449	3,973
	884,373	1,054,587

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

	2020 £ 000	2019 £ 000
United Kingdom	857,262	1,026,416
Caribbean / USA	27,111	28,171
	884,373	1,054,587

4 Other operating gains/(losses)

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

	2020 £ 000	2019 £ 000
Gain on disposal of property, plant and equipment	526	241
Gain/(loss) on disposal and revaluations of investment properties	98	(850)
Gain on disposal of investments	40	-
Coronavirus Job Retention Scheme	7,310	-
Research and Development expenditure credits	1,668	1,008
	9,642	399

5 Amounts written off investments

	2020 £ 000	2019 £ 000
Write off against JV loans (note 17a)	5,800	-
Write off against other loans (note 18)	154	154
Write off against other debtors (note 20)	3,101	2,026
	9,055	2,180

6 Operating profit/(loss)

Arrived at after charging/(crediting)

	2020 £ 000	2019 £ 000
Amortisation expense (see note 14)	984	984
Depreciation expense (see note 15)	9,210	9,481
Operating lease expense - property	3,843	3,776
Operating lease expense - plant and machinery	8,965	10,438
Coronavirus Job Retention Scheme	(7,310)	-
Research and Development expenditure credits	(1,668)	(1,008)
Profit on disposal of property, plant and equipment	(526)	(241)

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 £0.7m (2019: £nil). The charge for costs relating to this business were £1.3m (2019: credit of £2.4m).

COVID-19 has significantly impacted the financial results of the Construction business, which necessitated a programme of restructuring, part of which has already been taken at a cost of £1.2m (comprising £1.0m re staff costs and £0.2m re onerous lease charges). The balance of the restructuring programme is expected to be completed over the course of the next 12 months, at a further cost of £3.9m (comprising of £3.7m re staff costs and £0.2m re onerous lease charges).

8 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Finance debtor interest	10,621	11,217
Interest income on investments	147	1,661
Bank interest receivable	2,072	872
Net gain on derivative	1,063	1,179
Foreign exchange gains	426	990
	14,329	15,919

Newarthill Limited

Notes to the Financial Statements for the Year Ended 31 October 2020

9 Interest payable and similar charges

	2020 £ 000	2019 £ 000
Interest on bank loans and other borrowings	6,429	8,565
Interest on obligations under finance leases and hire purchase contracts	265	423
Foreign exchange losses	163	418
Net interest expense on employee benefit liabilities	2,930	4,281
	9,787	13,687

10 Staff costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	156,143	152,980
Social security costs	16,149	15,678
Pension costs, defined contribution scheme	7,724	6,869
Pension costs, defined benefit scheme	962	809
	180,978	176,336

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

	2020 No.	2019 No.
Average number employed in construction services during the year	2,417	2,297

The average number of employees of the Company during the year was 22 (2019 - 20).

11 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	1,438	1,521

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:

	2020 No.	2019 No.
Accruing benefits under defined benefit pension scheme	2	2

No directors (2019 - none) were members of defined contribution schemes.

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	482	504

12 Auditor remuneration

	2020 £ 000	2019 £ 000
Audit of Parent Company	54	46
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	492	429
	546	475

Other fees to auditor

	2020 £ 000	2019 £ 000
Fees in respect of the audit of the associated pension schemes	33	21
All other assurance services	5	-
	38	21

13 Taxation credit/ (charge)

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

	2020 £ 000	2019 £ 000
Current taxation		
United Kingdom corporation tax	217	295
Deferred taxation		
Arising from origination and reversal of timing differences	(605)	1,833
Total tax charge/(credit)	(388)	2,128

The differences between the total tax credit/(charge) shown above and the amount calculated by applying the standard rate of United Kingdom corporation tax of 19% (2019 - 19%) to the profit/(loss) before tax are as follows:

	2020 £ 000	2019 £ 000
(Loss)/profit before tax	(14,395)	20,687
Corporation tax at standard rate	(2,735)	2,877
Income not taxable in determining taxable profit	(2,645)	(7,163)
Expenses not deductible for tax purposes	2,335	5,647
Group relief surrendered/(received) for nil consideration	953	38
Income/(expense) due to transfer pricing adjustments	(44)	-
Remeasurement of deferred tax assets and liabilities due to changes in United Kingdom tax rate	(1,724)	(425)
Change in unrecognised deferred tax assets	3,201	1,495
Utilisation of tax losses not previously recognised	(10)	-
Adjustments to tax charge in respect of previous periods	281	(1,432)
Effect of oversea tax rates	-	37
Total tax (credit)/charge	(388)	1,074

Deferred tax

Group

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

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

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

It is expected that £4,026,000 (2019 - £3,152,000) of the deferred tax assets and £656,000 (2019 - £517,000) of the deferred tax liabilities will reverse during the next year.

There are no unrecognised deferred tax liabilities (2019 - £Nil).

There are £40,683,000 (2019 - £34,381,000) of unrecognised deferred tax assets. These are analysed as follows:

	2020 £ 000	2019 £ 000
Accelerated capital allowances	3,808	4,291
Losses	36,468	29,103
Short term timing differences	407	987
	40,683	34,381

Company

Deferred tax assets and liabilities (see note 20)

Deferred tax assets of £33,101,000 have been recognised in respect of retirement benefit obligations (2019 - £26,204,000 in respect of retirement benefit obligations).

There are £1,169,000 (2019 - £1,048,000) of unrecognised deferred tax assets. These are analysed as follows:

	2020 £ 000	2019 £ 000
Accelerated capital allowances	9	10
Short term timing differences	1,160	1,038
	1,169	1,048

14 Intangible assets

Group

	Goodwill £ 000
Cost	
At 1 November 2019	19,585
At 31 October 2020	19,585
Amortisation	
At 1 November 2019	15,825
Amortisation charge	984
At 31 October 2020	16,809
Carrying amount	
At 31 October 2020	2,776
At 31 October 2019	3,760

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

No research and development costs were capitalised during the year (2019 - £Nil). The aggregate amount of research and development expenditure, in the field of civil engineering and construction, recognised as an expense during the year was £10.2m (2019 - £9.5m).

Company

The company had no intangible assets at 31 October 2020 (2019 - £Nil).

No research and development costs were capitalised during the year (2019 - £Nil) and no research and development costs were expensed during the year (2019 - £Nil).

15 Tangible assets

Group

	Freehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Property, plant and equipment £ 000	Total £ 000
Cost				
At 1 November 2019	28,223	20,458	62,417	111,098
Additions	522	888	3,100	4,510
Disposals	(175)	(404)	(4,349)	(4,928)
Foreign exchange movements	(51)	-	(64)	(115)
At 31 October 2020	28,519	20,942	61,104	110,565
Depreciation				
At 1 November 2019	12,458	16,121	36,215	64,794
Charge for the year	628	1,737	6,845	9,210
Eliminated on disposal	-	(327)	(3,967)	(4,294)
Foreign exchange movements	(5)	-	(51)	(56)
At 31 October 2020	13,081	17,531	39,042	69,654
Carrying amount				
At 31 October 2020	15,438	3,411	22,062	40,911
At 31 October 2019	15,765	4,337	26,202	46,304

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:

	2020 £ 000	2019 £ 000
Property, plant and equipment	8,950	10,161

16 Investment properties

Group

	£ 000
At 1 November 2019	21,405
Additions	397
Disposals	(9,500)
Transfers from inventories	(640)
Fair value adjustments	22
Foreign exchange movements	63
At 31 October 2020	11,747

All investment properties are freehold. The comparable historical cost of the investment properties is £7.125m (2019 - £13.992m) and the comparable historical depreciation of the investment properties is £1.041m (2019 - £1.774m).

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

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

	Commercial Office		**Industrial**	
	2020	2019	2020	2019
Yield	8%-10%	10%-12%	6%	6%
Voids/ letting periods	12 - 15 months	12 - 15 months	nil	nil
Market rents	£11 - £16 per sq ft	£11 - £16 per sq ft	£2 per sq ft	£2 per sq ft

In respect of £8,042m (2019 - £17,750m) of freehold investment properties there is in existence a fixed and floating charge and the remittance of rental income on these investment properties has been pledged as security.

17 Investments

Group

	2020 £ 000	**2019 £ 000**
Investments in joint ventures (see note 17a)	45,764	51,914
Investments in associates (see note 17b)	-	132
	45,764	52,046

17a Investments in joint ventures

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

Cost and carrying amount	**Equity £ 000**	**Loans £ 000**	**Total £ 000**
At 1 November 2019	34,672	17,242	51,914
Profit for the year	5,691	-	5,691
Dividends paid	(3,178)	-	(3,178)
Additions	483	141	624
Repayments	-	(1,391)	(1,391)
Written off	-	(5,800)	(5,800)
Exchange rate adjustments	(2,129)	33	(2,096)
At 31 October 2020	35,539	10,225	45,764

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

17b Investments in associates

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

Cost and carrying amount	Equity £ 000	Total £ 000
At 1 November 2019	132	132
Profit for the year	(132)	(132)
At 31 October 2020	-	-

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

Company

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

	£ 000
Cost	
At 1 November 2019 and 31 October 2020	135,008
Provision	
At 1 November 2019 and 31 October 2020	2,481
Carrying amount	
At 31 October 2020	132,527
At 31 October 2019	132,527

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

18 Other financial assets

Group	Unlisted securities £ 000	Loans £ 000	Total £ 000
Cost			
At 1 November 2019	12,403	15,482	27,885
Additions		334	334
Dividend	-	(100)	(100)
Cost at 31 October 2020	12,403	15,716	28,119
Provisions			
At 1 November 2019	852	337	1,189
Charge	-	154	154
At 31 October 2020	852	491	1,343
Carrying amount			
At 31 October 2020	11,551	15,225	26,776
At 31 October 2019	11,551	15,145	26,696

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

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

19 Stocks

	2020 £ 000	Group 2019 £ 000
Raw materials and consumables	442	492
WIP and long-term contract balances	9,294	9,513
Properties held for development and sale	50,016	50,438
	59,752	60,443

20 Debtors

Due within one year:	2020 £ 000	Group 2019 £ 000	2020 £ 000	Company 2019 £ 000
Trade debtors	8,143	17,342	-	-
Financial assets	5,900	5,077	-	-
Amounts owed by related parties	-	-	73,672	51,164
Other debtors	20,126	22,839	234	1,673
Prepayments	11,408	18,161	206	537
Gross amount due from customers for contract work	99,306	90,444	-	-
Deferred tax assets (see note 12)	4,026	3,152	1,278	1,936
Corporation tax asset	3,494	1,415	-	-
	152,403	158,430	75,390	55,310

Due after one year:	2020 £ 000	Group 2019 £ 000	2020 £ 000	Company 2019 £ 000
Financial assets	112,399	117,697	-	-
Other debtors	1,312	1,371	-	-
Gross amount due from customers for contract work	16,897	21,282	-	-
Deferred tax assets (see note 12)	39,103	33,929	31,822	24,241
	169,711	174,279	31,822	24,241

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

21 Cash and cash equivalents

	Group 2020 £ 000	Group 2019 £ 000	Company 2020 £ 000	Company 2019 £ 000
Cash at bank	186,110	153,431	6,440	4,999
Short-term deposits	33,097	22,323	16,052	14,636
	219,207	175,754	22,492	19,635

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 two months (2019 - three months). The average interest rate was 0.29% (2019 - 0.96%). They are measured at amortised cost.

Within the Group figures for short-term deposits is £22,537,000 (2019 - £17,150,000) and within cash at bank is £49,397,000 (2019 - £29,312,000) 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 £16.1m (2019 - £14.6m) and the Company had no cash at bank held under terms which are currently restrictive (2019 - £nil).

22 Creditors

	Group 2020 £ 000	Group 2019 £ 000	Company 2020 £ 000	Company 2019 £ 000
Due within one year				
Loans and borrowings (see note 26)	10,777	8,766	-	-
Trade creditors	160,960	215,247	5	7
Amounts due to related parties	-	-	87,165	83,517
Social security and other taxes	18,562	6,021	32	62
Other payables	1,140	1,326	-	-
Accrued expenses	31,940	32,639	205	121
Deferred income	89,090	35,919	-	-
	312,469	299,918	87,407	83,707
Due more than one year				
Loans and borrowings (see note 26)	114,923	126,664	-	-
Trade creditors	17,526	15,597	-	-
Deferred income	17,646	16,177	-	-
	150,095	158,438	-	-

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

23 Provisions for liabilities

Group

	Covid-19 provision £ 000	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 November 2019	-	7,084	14,717	21,801
Additional provisions	3,913	110	19,761	23,784
Provisions utilised	-	-	(5,012)	(5,012)
At 31 October 2020	3,913	7,194	29,466	40,573

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 onerour lease charges of £0.2m. This provision is fully expected to be fully utilised within the next 12 months.

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

Company

	Other provisions £ 000
At 1 November 2019	62
Unused provision reversed	(62)
At 31 October 2020	-

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 scheme and amounted to £7,724,000 (2019 - £6,869,000). All costs were expensed as incurred and there were no amounts outstanding, by way of either amounts owing or commitments, at the year end (2019 - £Nil).

Defined benefit pension and other schemes

Group and Company

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

Group

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

Group 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

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

Company 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

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

The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme

Benefits are based upon pensionable pay. Until 31 December 2012, pensionable pay increased annually although this was capped dependent on a variety of factors. Any difference between actual salary and pensionable pay was paid into a defined contribution fund. From 1 January 2013, the pensionable pay was frozen and contributions based on this frozen element - with the difference continuing to be paid into the defined contribution fund. Depending on the level of contribution being made by the member, their final pension is based either on this frozen pensionable pay figure or will increase over time - dependent on a variety of factors. Employee contributions were matched by the employer. The assets of the scheme are held separately from those of the Group. The pension costs are assessed in accordance with the advice of an external, qualified actuary using the projected unit method. Total contributions (employer and employee) made during the year were £8,000,000 (2019 - £8,000,000).

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

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:

	2020 £ 000	2019 £ 000
Fair value of scheme assets	500,700	486,741
Present value of defined benefit obligation	(683,102)	(644,502)
Net liability	(182,402)	(157,761)

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 2019	644,502
Current service cost	3,600
Interest cost	12,700
Actuarial gains and losses	49,900
Benefits paid	(27,600)
Present value at 31 October 2020	683,102

Fair value of scheme assets

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

	£ 000
Fair value at 1 November 2019	486,741
Interest income	9,600
Return on plan assets, excluding amounts included in interest income/(expense)	23,959
Employer contributions	8,000
Assets distributed on settlements	(27,600)
Fair value at 31 October 2020	500,700

Analysis of assets

The major categories of scheme assets are as follows:

	2020 £ 000	2019 £ 000
Multi Asset fund	215,800	208,541
Cash	8,900	16,700
LDI	276,000	261,500
	500,700	486,741

Return on scheme assets

	2020 £ 000	2019 £ 000
Return on scheme assets	23,959	66,651

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

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

28% of the ordinary shares in Paget Health Services (Holdings) Limited are held by the pension scheme and the fair value of its investment at 31 October 2019 was £12,965,000 (2019 - £13,296,000). 13.125% of the ordinary shares in Autolink Holdings (M6) Limited are held by the pension scheme and the fair value of its investment at 31 October 2019 was £936,000 (2019 - £1,665,000).

Principal actuarial assumptions

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

	2020 %	2019 %
Discount rate	1.6	2.0
Retail Price Index (RPI) inflation	2.8	2.65
Consumer Price Index (CPI) inflation	2	1.85
Rate of increase in salaries	2	2.15
Rate of increase in pension payments	2.50 - 3.50	2.50 - 3.50

Post retirement mortality assumptions

	2020 Years	2019 Years
Current UK pensioners at retirement age - male	22.50	22.40
Current UK pensioners at retirement age - female	23.90	22.80
Future UK pensioners at retirement age - male	22.90	23.70
Future UK pensioners at retirement age - female	25.00	24.80

Plans that share risks between entities under common control

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

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

Contributions were based on a percentage of a member's pensionable salary which were matched by the employer. Additional contributions of £8.0m (2019 - £8.0m) have been made by the employer. Additional employer payments will continue in 2021 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 £1,171,000 (2019 - £458,000).

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

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £733,000 (2019 - £612,000).

The total cost relating to defined benefit schemes for the year included in the cost of an asset was £Nil (2019 - £Nil).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2020 £ 000	2019 £ 000
Fair value of scheme assets	32,920	31,731
Present value of defined benefit obligation	(42,974)	(39,287)
Net liability recognised in the balance sheet	(10,054)	(7,556)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	£ 000
Present value at 1 November 2019	39,287
Current service cost	574
Interest cost	786
Actuarial gains and losses	2,327
Present value at 31 October 2020	42,974

Fair value of scheme assets

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

	£ 000
Fair value at 1 November 2019	31,731
Interest income	646
Return on plan assets, excluding amounts included in interest income/(expense)	(628)
Employer contributions	1,171
Fair value at 31 October 2020	32,920

Analysis of assets

The major categories of scheme assets are as follows:

	2020 £ 000	2019 £ 000
Equity instruments	11,423	12,216

Return on scheme assets

	2020 £ 000	2019 £ 000
Return on scheme assets	(628)	1,631

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:

	2020 %	2019 %
Future salary increases	3.20	3.05
Future pension increases (max)	2.80	2.65

Post retirement mortality assumptions

	2020 Years	2019 Years
Current UK pensioners at retirement age - male	21.60	21.50
Current UK pensioners at retirement age - female	22.60	22.50
Future UK pensioners at retirement age - male	23.70	23.50
Future UK pensioners at retirement age - female	24.90	24.70

Post-retirement medical scheme

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

Reconciliation of scheme liabilities to liabilities recognised

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

	2020 £ 000	2019 £ 000
Present value of scheme liabilities	(5,589)	(5,374)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	£ 000
Present value at 1 November 2019	(5,374)
Interest cost	(107)
Employer contributions	57
Change to assumptions	(165)
Present value at 31 October 2020	(5,589)

Principal actuarial assumptions

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

	2020 %	2019 %
Discount rate	1.60	2.90
Medical expenses inflation	9.50	9.00

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

	2020 No. 000	2020 £ 000	2019 No. 000	2019 £ 000
Ordinary of £1 each	7,103	7,103	7,103	7,103
A Ordinary of £0.0001 each	7,218	1	7,218	1
	14,321	7,104	14,321	7,104

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:
The holders of the ordinary shares are entitled to dividends in proportion to the number of shares they hold. Dividends per share class do not have to be paid in equal measure.

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

26 Loans and borrowings

	2020 £ 000	Group 2019 £ 000
Current loans and borrowings		
Finance leases	2,486	4,012
Senior loans	8,291	4,754
	10,777	8,766

	2020 £ 000	Group 2019 £ 000
Non-current loans and borrowings		
Finance leases	1,720	3,062
Senior loans	113,203	123,602
	114,923	126,664

Group

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

	2020 £ 000	2019 £ 000
Senior loans after more than five years by instalments	58,388	93,024

Senior loans after five years

The Group has the following Senior loans:

£28,294,000 (2019 - £30,364,000) 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.

£28,856,000 (2019 - £29,605,000) 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.

£52,053,000 (2019 - £59,633,000) taken out by a subsidiary - Sir Robert McAlpine Road Holdings Limited. The Senior loan accrues interest on a semi-annual basis at 4% plus annual RPI. The Senior loan is due for repayment in 2027 and is secured over the assets of the subsidiary.

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

27 Obligations under leases and hire purchase contracts

Group

Finance leases
Finance leases relate to the purchase of cranes used in the Group's construction activities. Cranes are classified as other property, plant and equipment in note 15.

The total future minimum lease payments are as follows:

	2020 £ 000	2019 £ 000
Not later than one year	2,486	4,012
Later than one year and not later than five years	1,720	3,062
	4,206	7,074

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

	2020 £ 000	2019 £ 000
Not later than one year	3,174	1,146
Later than one year and not later than five years	863	7,923
	4,037	9,069

The amount of non-cancellable operating lease payments recognised as an expense during the year was £12,808,000 (2019 - £14,214,000).

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

	2020 £ 000	2019 £ 000
Not later than one year	96	96
Later than one year and not later than five years	938	1,066
Later than five years	441	502
	1,475	1,664

Total contingent rents recognised as income in the period are £1,532,000 (2019 - £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:

	2020 £ 000	2019 £ 000
Not later than one year	116	232
Later than one year and not later than five years	-	116
	116	348

The amount of non-cancellable operating lease payments recognised as an expense during the year was £232,000 (2019 - £Nil).

28 Contingent liabilities

Group
There were contingencies in respect of the following:

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

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

Completed and uncompleted contracts.

29 Related party transactions

Group
There were transactions amounting to £68.9m (2019 - £47.3m) in respect of construction and other contracts on normal commercial terms with various joint arrangements, of which £15.4m (2019 - £23.2m) was owing at the year end and included within debtors due within one year (note 20).

There were transactions amounting to £28.3m (2019 - £26.8m) in respect of construction and other contracts on normal commercial terms with joint ventures and unlisted investments, of which £0.3m (2019 - £nil) was owing at the year end and included within debtors due within one year (note 20).

Included within other financial assets (note 18) are loan balances of £2.8m (2019 - £2.8m) and unlisted securities of £11.6m (2019 - £11.6m) owing from McAulay (Tudor House) Limited and McAulay (Market Buildings) Limited respectively. The unlisted securities have an impairment against them of £0.9m (2019 - £0.9m). A number of Directors have an interest in both of these companies.

At the year end, BCM McAlpine Limited owed the Group £60.1m (2019 - £58.7m). During the year no recoveries were received. (2019 - £nil). During the year the Group increased the provision against this balance by £4.5m (2019 - £3.1m). BCM McAlpine Limited is a jointly controlled entity.

Included within turnover were management fees of £0.1m (2019 - £0.1m) received from various joint ventures, of which £nil (2019 - £nil) was outstanding at the year end.

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

30 Financial instruments

Group

Categorisation of financial instruments 2020	Loans and receivables £ 000	Financial assets at fair value through profit or loss £ 000	Derivatives at fair value through profit or loss £ 000	Derivatives used for hedging £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Trade receivables	124,975	-	-	-	-	124,975
Other receivables	20,292	-	-	-	-	20,292
Investment in short-term deposits	33,097	-	-	-	-	33,097
Cash at bank	186,111	-	-	-	-	186,111
Joint ownership properties	-	1,145	-	-	-	1,145
McAuley (Tudor House) Limited	-	2,783	-	-	-	2,783
PPP financial assets	-	118,299	-	-	-	118,299
Other financial assets	-	26,776	-	-	-	26,776
Redcar RPI swaps	-	-	4,654	-	-	4,654
Derivative financial instruments	-	-	-	(21,927)	-	(21,927)
Senior loans	-	-	-	-	(121,493)	(121,493)
Finance leases	-	-	-	-	(4,207)	(4,207)
Trade creditors	-	-	-	-	(178,860)	(178,860)
Accruals	-	-	-	-	(31,270)	(31,270)
Other creditors	-	-	-	-	(1,140)	(1,140)
	364,475	149,003	4,654	(21,927)	(336,970)	159,235

Categorisation of financial instruments 2019	Loans and receivables £ 000	Financial assets at fair value through profit or loss £ 000	Derivatives at fair value through profit or loss £ 000	Derivatives used for hedging £ 000	Financial liabilities at amortised cost £ 000	Total £ 000
Trade receivables	129,068	-	-	-	-	129,068
Other receivables	23,019	-	-	-	-	23,019
Short-term deposits	22,323	-	-	-	-	22,323
Cash at bank	153,431	-	-	-	-	153,431
Joint ownership properties	-	1,190	-	-	-	1,190
Loans	-	3,091	-	-	-	3,091
PPP financial assets	-	122,774	-	-	-	122,774
Other financial assets	-	26,696	-	-	-	26,696
Inflation swaps	-	-	3,591	-	-	3,591
Interest rate swaps	-	-	-	(21,639)	-	(21,639)
Senior loans	-	-	-	-	(128,356)	(128,356)
Finance leases	-	-	-	-	(7,074)	(7,074)
Trade creditors	-	-	-	-	(230,845)	(230,845)
Accruals	-	-	-	-	(33,938)	(33,938)
Other creditors	-	-	-	-	(1,793)	(1,793)
	327,841	153,751	3,591	(21,639)	(402,006)	61,538

Financial assets measured at fair value

PPP financial assets

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

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

The change in value included in profit or loss is a profit of £944,000 (2019 - £3,716,000).

The financial assets have a carrying value of £95,846,000 (2019: £101,494,000). The fair value of the financial assets is £118,299,000 (2019: £122,774,000). 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. This is level 2 of the fair value hierarchy. The directors have not made a provision for the diminution in value of the financial assets as it is not impaired.

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;

	2020 £000	2019 £000
At market rate between 1.59% and 3.29% (2019: between 1.93% and 3.68%)	118,299	122,774
At market rate plus 1%	112,502	116,683
At market rate less 1%	124,765	129,594

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 £4,654,000 (2019 - £3,591,000) and the change in value included in profit or loss is a gain of £1,063,000 (2019- £1,178,000)

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 2020, a hedging loss of £44,000 (2019 - £3,454,000) 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 liability of the financial instruments designated as hedging instruments at 31 October 2020 is £21,927,000 (2019 - £21,639,000).

The fair value liability of the interest rate swap increased by £2,417,000 (2019: £5,774,000).

The amount reclassified from equity to profit or loss for the year is £2,373,000 (2019: £2,320,000).

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	2020	2019
	£000	£000
Within one year	2,567	2,684
Between two and five years	9,897	10,448
After five years	12,753	15,009
Total	**25,216**	**28,142**

31 Parent and ultimate parent undertaking

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

32 Subsidiaries and related undertakings

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

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

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

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

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

McAlpine Park Lane Inc's registered address is 3200 Bailey Lane, Suite 199, Naples, FL 34105.
McAlpine Properties Limited's registered address is 4th floor Queengate Building, 113 South Church Street, PO Box 1994, Grand Cayman.
Miltons Shoot 2011 Limited's registered address is Calyx House, South Road, Taunton, Somerset, TA1 3DU.
Endeavour UK 4 Limited's registered address is 11 Elmbank Street, Glasgow, United Kingdom, G2 4PB.
Jersey Waterfront Group Holdings I Limited and all Jersey Waterfront group companies registered addresses are The Radisson Blu, Rue de L'Etau, St Helier, Jersey, JE2 3WF.
Scarmac Limited's registered address is Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ.
UK LP Gore Street Limited's registered address is Carlyle House, 78 Chorley New Road, Bolton, Lancashire, BL1 4BY.
Consortium 220 LLP's registered address is Duddingston House, Milton Road West, Edinburgh, EH15 1RB.
UBW Limited's registered address is 2nd floor Harbour Place, PO 472103 South Church Street, Grand Cayman, KY1-1106.
Walton Wagner Limited, the 20% holding was sold on 17 June 2020.

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

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

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

33 Events after the reporting date

On 24 December 2020 the UK Government announced that a Brexit trade agreement had been reached, such that there would be no tariffs or quotas on the movement of goods, originating in either place, between the EU and the UK, when the UK left the EU's single market and customs union from 23:00 on 31 December 2020.

The successful development and roll-out of effective COVID-19 vaccines are clearly a positive and welcome step in the global fight against the pandemic. However the discovery of various mutations, together with continued growth in numbers of new cases, are such that considerable uncertainty remains as to the timing of social and economic recovery from the virus. Steps to mitigate the impact on the Group from COVID-19 have been implemented, as described more fully in the Strategic report.

The Chancellor in his Budget statement on 3 March 2021 announced an increase in the United Kingdom Corporation Tax rate for large companies from 19% to 25% with effect from 1 April 2023. This is not expected to have a material impact on the level or recoverability of the deferred tax assets recognised by the Group at 31 October 2020.