John Graham Holdings Limited

Report and Financial Statements

31 March 2014

Directors

Michael EJ Graham
Andrew K Bill
Alan K Bill
Steven H Creighton
Colin J Graham
Robin N Graham
David S Watters

Secretary

Steven H Creighton

Auditors

Ernst &Young LLP
Bedford House
16 Bedford Street
Belfast BT2 7DT

Bankers

Danske Bank Limited
Donegall Square West
Belfast
County Antrim BT1 6JS

Registered Office

5 Ballygowan Road
Hillsborough
County Down BT26 6HX

REGISTERED No. NI 057921

Strategic Report

The directors present their Strategic Report for the year ended 31 March 2014.

Principal activities and review of the business

John Graham Holdings Limited and its subsidiary undertakings ("the Group") are primarily engaged in building and civil engineering, project investment and asset management activities. The Group provides services to local and national government, to commercial developers, and to the health, education and leisure sectors.

Financial performance

The directors have determined that the following financial indicators are the most effective measures of progress towards achieving the Group's objectives.

	2014	*2013*
	£000	*£000*
Group turnover and share of joint venture turnover	418,511	321,580
Profit on ordinary activities before taxation	5,681	6,772
Net Profit Margin	1.2%	1.9%

2014 saw revenue increase significantly across the Group compared to 2013, however profit levels were lower than the previous year primarily as a result of a small number of poorly performing construction contracts.

While management are disappointed with results in this area they are pleased that strong performance in other areas helped to deliver a satisfactory overall result.

Future developments

Overall our Group businesses continue to deliver robust performances in what remains a difficult market. Our three main businesses provide us with a well-balanced service offering within the Group and are all underpinned by a healthy forward order book.

In our **Construction** business our spread of delivery capability across a broad range of sectors, the consolidation of our increased geographical footprint and our continued focus on operational efficiency leave us well positioned to capitalise on opportunities that come our way.

We are encouraged by the continued development of our **Asset Management** business and believe its success in developing long term partnerships with clients, coupled with its continued service diversification and regional growth, leave it with a strong platform for sustained growth.

Strategic Report (continued)

Future developments (continued)

We expect our **Investment** business to continue to generate construction and asset management opportunities for the Group. Our experience and ability to offer competitive value for money solutions over a number of key infrastructure sectors along with our acknowledged aptitude to work in effective integrated teams with clients, funders and supply chain partners leave us well placed to participate in selected private investment opportunities.

Principal risks and uncertainties

The Group's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives. The key risks which management face are detailed as follows:

Health and safety risk

The Group is committed to ensuring a safe working environment. These risks are managed by the Group through: the strong promotion of a health and safety culture; and well defined health and safety policies.

Business performance risk

Business performance risk is the risk that the Group may not perform as expected either due to internal factors or due to competitive pressures in the markets in which they operate. This risk is managed through a number of measures: ensuring the appropriate management team is in place; budget and business planning; monthly reporting and variance analysis; financial controls; key performance indicators; and regular forecasting.

As part of our normal business process we will monitor the forecasts in all areas of our business and take appropriate action to mitigate any adverse trends arising.

Business control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the Group relies for day-to-day operations, external reporting and for longer term planning.

The Group operates a number of divisions (within the UK and Ireland) which are managed through the recruitment of a local management team in each area which are further supported and controlled by the directors of John Graham Holdings Limited.

The Group exercises financial and business control through a combination of: qualified and experienced financial teams; performance analysis; budgeting and cash flow forecasting; and clearly defined approval limits. External advisors provide advice on specific accounting and tax issues as they arise. The Group has invested in new systems which it believes will assist in the profitable and controlled growth of the business.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Management development

Long-term growth of the business depends on the Group's ability to retain and attract personnel of high quality. This risk is managed through development plans which are regularly reviewed and updated. These are accompanied by specific policies in areas such as training, management development and performance management.

Financial instruments

The Group's principal financial instruments comprise cash, trade debtors and creditors, bank loans and certain other debtors and accruals. The main risks associated with these financial assets and liabilities are set out below.

Foreign currency risk

The Group is not materially exposed to significant foreign currency risk on retranslating the balance sheet of its foreign subsidiaries.

As part of the Group's activities purchases are made from overseas suppliers. The directors assess the risk from each major procurement and hedge with forward exchange contracts when appropriate.

Credit risk

Credit risk arises principally on third party derived revenues. Group policy is aimed at minimising such risk, and requires that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures or who pay in advance of transfer of title or supply an appropriate letter of credit.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's liquidity risk is managed by Group directors through a tightly controlled cash management process. Regular reviews of available facilities are carried out along with long term cash projections to ensure sufficient liquidity is available.

Strategic Report (continued)

Financial instruments (continued)

Interest rate risk

The Group is exposed to movements on interest rates through the external bank loans with variable interest rates upon which interest is charged at LIBOR, EURIBOR or the relevant banks base rate plus a margin. The directors monitor the interest rate forecast and fixed interest options available.

Market price risk

Due to the nature of their principal activity the directors believe the Group is not exposed to significant market price risk.

On behalf of the Board

Michael Graham
Director

Date 8 July 2014

REGISTERED No. NI 057921

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2014.

Results and dividends

The group profit for the year after taxation amounted to £5,165k (2013 – profit of £5,979k). During the year dividends of £1.2m were proposed and paid (2013 – £1m). There is no final recommended dividend. Retained profits carried forward are £38.1m (2013 – profits of £33.6m).

Future developments

Details of future developments are provided in the Strategic Report on page 2/3.

Financial instruments

Details of financial instruments are provided in the Strategic Report on page 4/5.

Directors

The directors who served the company during the year were as follows:

Michael E J Graham
Andrew K Bill
Alan K Bill
Steven H Creighton
Colin J Graham
Robin N Graham
Ian M Grice (resigned 28 March 2014)
David S Watters

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this annual report. The report also covers the financial position of the Group, its cash flows and liquidity position and borrowing facilities and details of its financial risk management position.

The Group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence the directors believe that the Group is well placed to manage its business risk successfully despite the current uncertain economic outlook.

After making enquiries, and carrying out a review of projected funding over the next 12 months, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' Report (continued)

Political and charitable contributions

During the year the company made no political contributions.

The Group believes in contributing to the well being of communities in which we operate and as part of this commitment we assist employees undertaking sponsored activities and we encourage business units to run charitable fund raising events that are important to the area or to the individuals concerned.

Employee involvement

Information concerning employees and their remuneration is given in the notes to the financial statements.

During the year the Group has maintained the practice of advising employees about current activities and progress by various methods including Group wide staff briefings on the Group strategy and in-house publications.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Special attention is given to training, health and safety and the employment of disabled persons including where existing employees become disabled.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Steven Creighton
Director

Date 8 July 2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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). 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 Group and the Company and of the profit or loss of the Group 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 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 John Graham Holdings Limited

We have audited the financial statements of John Graham Holdings Limited for the year ended 31 March 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Note of Historical Cost Profit and Loss, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Independent auditor's report (continued)

to the members of John Graham Holdings Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent undertaking's affairs as at 31 March 2014 and of the Group's Profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent undertaking, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent undertaking 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.

Ernst & Young LLP

David Galbraith (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Belfast

8 July 2014

Independent auditor's report (continued)

to the members of John Graham Holdings Limited

Notes:

1. The maintenance and integrity of the John Graham Holdings Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Profit and Loss Account

for the year ended 31 March 2014

		Notes	2014 £000	2013 £000
Turnover				
Group and share of joint venture's turnover			418,511	321,580
Less: share of turnover of joint ventures			(415)	(2,121)
		2	418,096	319,459
Cost of sales			(394,880)	(296,107)
Gross Profit			23,216	23,352
Administrative expenses			(21,955)	(19,918)
Other operating income		3b	3,970	2,080
Group operating Profit		3a	5,231	5,514
Profit on sale of joint venture			-	949
Share of operating (loss)/profit in joint ventures			(29)	210
Profit on ordinary activities before finance charges			5,202	6,673
Interest receivable and similar income	– group		1,809	1,594
	– joint ventures		2	10
			1,811	1,604
Interest payable and similar charges	– group	6	(1,294)	(1,423)
	– joint ventures		(38)	(82)
			(1,332)	(1,505)
Profit on ordinary activities before taxation			5,681	6,772
Tax		7	(516)	(793)
Profit for the financial year		24	5,165	5,979

All amounts relate to continuing activities.

Group Statement of total recognised gains and losses

for the year ended 31 March 2014

	Notes	2014 £000	2013 £000
Profit for the financial year excluding share of joint ventures		5,225	5,894
Share of joint ventures' (loss)/profit for the year		(60)	85
Profit for the financial year		5,165	5,979
Net actuarial gain/(loss) recognised in respect of pension scheme	26	577	(147)
Deferred tax (charge)/credit arising on net actuarial gain/(loss)	7(c)	(121)	34
Currency adjustments on retranslation of foreign subsidiaries		(24)	37
Total recognised gains and losses relating to the year		5,597	5,903

Group Note of historical cost profit and loss

for the year ended 31 March 2014

	2014 £000	2013 £000
Reported Profit on ordinary activities before taxation	5,681	6,772
Historical cost on ordinary activities before taxation	5,681	6,772
Historical cost Profit retained for the year after taxation	5,165	5,979

Group Balance Sheet

at 31 March 2014

		Notes	2014 £000	2013 £000
Fixed assets				
Intangible assets		10	1,653	1,712
Tangible fixed assets		11	23,829	22,316
Investment properties		11	939	1,079
Investments – joint ventures:	share of gross assets	12	659	1,203
	share of gross liabilities	12	(849)	(993)
			(190)	210
Loan to joint venture		12	1,335	1,255
Investments – other		12	3	18
			27,569	26,590
Current assets				
Stocks		13	2,375	2,324
Debtors: amounts receivable in less than one year		14	103,608	70,334
Debtors: amounts receivable in more than one year		14	18,571	19,678
			122,179	90,012
Investments		15	13	13
Cash at bank and in hand		16	17,523	28,797
			142,090	121,146
Creditors: amounts falling due within one year		17	(104,134)	(84,340)
Net current Assets			37,956	36,806
Total assets less current liabilities			65,525	63,396
Creditors: amounts falling due after more than one year		18	(21,267)	(22,774)
Deferred income		22	(997)	(1,063)
Provisions for liabilities		21	(3,691)	(3,653)
Net Assets excluding pension asset/(liability)			39,570	35,906
Pension asset/(liability)		26	58	(675)
Net Assets including pension asset/(liability)			39,628	35,231
Capital and reserves				
Called up share capital		23	55	55
Revaluation reserve		24	1,472	1,504
Capital redemption reserve		24	45	45
Profit and loss account		24	38,056	33,627
Shareholders' funds		24	39,628	35,231

The financial statements were approved and authorised for issue by the board and were signed on its behalf by;

Michael Graham

8 July 2014

Company Balance Sheet

at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	12	44,184	44,184
Current assets			
Debtors	14	110	110
Cash at bank and in hand		75	328
		185	438
Net Assets		44,369	44,622
Capital and reserves			
Called up share capital	23	55	55
Merger reserve	24	35,945	35,945
Profit and loss account	24	8,369	8,622
Shareholders' funds	24	44,369	44,622

The financial statements were approved for issue by the board of directors and signed on their behalf by:

Steven Creighton
Date 8 July 2014

Group Statement of Cash Flows

for the year ended 31 March 2014

	Note	2014 £000	2013 £000
Net cash outflow from operating activities	25(a)	(1,903)	(42)
Returns on investment and servicing of finance			
Interest received		1,327	1,534
Dividends received		190	-
Interest paid		(1,255)	(1,333)
Interest element of hire purchase rental		(67)	(33)
Net cash inflow from returns on investments and servicing of finance		195	168
Taxation			
Corporation tax		(831)	(940)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(3,377)	(2,920)
Receipts from sales of tangible fixed assets		329	445
Payments to acquire investment		(3)	-
Loans (provided to) / repaid from joint ventures, associates and investments		(2,375)	2,872
Net cash (outflow) / inflow from capital expenditure and financial investment		(5,426)	397
Acquisitions and disposals			
Acquisition of trade and assets		(105)	-
Repayment of share capital from joint venture		150	-
Receipt from sale of investment in joint venture		-	850
		45	850
Equity dividends paid		(1,200)	(1,000)
Net cash outflow from operating activities and before use of liquid resources and financing		(9,120)	(567)
Management of liquid resources			
Decrease in short-term deposits		-	750

Group Statement of Cash Flows (continued)

for the year ended 31 March 2014

Financing		
Capital element of hire purchase rental	(483)	(276)
Net movement on loans	(1,655)	(3,107)
	(2,138)	(3,383)
Decrease in cash	(11,258)	(3,200)

Reconciliation of net cash flow to movement in net (debt)/funds

	2014	*2013*
	£000	*£000*
Decrease in cash in the year	(11,258)	(3,200)
Cash outflow re capital element of hire purchase rental	483	276
Cash inflow from movement in liquid resources	-	(750)
Cash outflow from decrease in loans	1,655	3,107
Change in net (debt)/funds resulting from cash flows	(9,120)	(567)
New finance leases	(902)	(997)
Translation difference	13	3
Movement in net (debt)/funds in the year	(10,009)	(1,561)
Net funds at 1 April	4,338	5,899
Net (debt)/funds at 31 March	(5,671)	4,338

Notes to the financial statements

at 31 March 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group financial statements

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2014. No Profit and Loss account is presented for John Graham Holdings Limited as permitted by section 408 of the Companies Act 2006.

Entities in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the gross equity method.

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The other accounting policies adopted are described below.

Turnover

Turnover is recognised in line with the provision of goods and services falling within the Group's ordinary activities after deduction of value added tax. In the case of long term contracts, turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value together with attributable profit. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the Profit and Loss account turnover and related costs as contract activity progresses. In the case of investment projects, turnover primarily represents the value of services performed in operating PFI contracts during the year.

FRS 5 'Reporting the substance of transactions'

Some companies within the Group are special purpose vehicles providing services under the Private Finance Initiative (PFI). The Group has applied the provisions of Application note F – Private Finance Initiative and similar contracts of FRS 5 'Reporting the substance of transactions' in relation to these companies and consequently considers that the relevant Company, as operator of the PFI facility, does not have ownership of the property and thus the cost of construction is included in the group Balance Sheet as a PFI debtor, and is repaid via applicable elements of the relevant unitary payment.

Notes to the financial statements (continued)

at 31 March 2014

1. Accounting policies (continued)

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

Land and buildings are included in the financial statements at cost or valuation. Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation of fixed assets is provided on a basis calculated to write off the cost of the assets over their estimated useful lives. The rates at present in use are as follows:

Buildings	2% straight-line
Plant and machinery	10% to 33⅓% straight-line
Office equipment and computer software	20% to 33⅓% straight-line

Surpluses on revaluation of properties are credited to the revaluation reserve pending their realisation.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investment properties

Certain of the company's properties are held for long-term investment. In accordance with SSAP 19 'Accounting for Investment Properties', investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Notes to the financial statements (continued)

at 31 March 2014

1. Accounting policies (continued)

Investment properties (continued)

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Investments

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

The Group Profit and Loss account includes the Group's share of any pre tax profits and attributable taxation of any joint ventures based on the latest available information. In the Group Balance Sheet, the investment in joint ventures is shown as the Group's share of gross assets and gross liabilities of the joint venture.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and net realisable value. Stocks originating from own production include production overhead cost allocations.

Joint arrangements

The Group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Company includes its share of the assets and liabilities in such joint arrangements measured in accordance with the terms of each arrangement, which is pro-rata to the Group's interest in the joint arrangement.

Notes to the financial statements (continued)

at 31 March 2014

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date or if appropriate at the forward contract rate. All differences are taken to the Profit and Loss account. The balance sheet and profit and loss account of the overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

Notes to the financial statements (continued)

at 31 March 2014

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the Balance Sheet.

The interest elements of the rental obligations are charged in the Profit and Loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the Profit and Loss account in equal annual amounts over the lease term.

Pensions

The Group operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds. The John Graham (Dromore) Limited Pension and Life Assurance Scheme became a closed scheme in 1999 from which time membership of a defined contribution plan is available.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in Profit or Loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the Profit and Loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

Notes to the financial statements (continued)

at 31 March 2014

1. Accounting policies (continued)

Pensions (continued)

The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the Statement of Recognised Gains and Losses in the period in which they occur.

The defined benefit pension asset or liability in the Balance Sheet comprises the total for each plan of the present value of the defined benefit obligation, less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Retirement benefits to employees in the Group are also provided by a defined contribution pension scheme, whereby the assets of the scheme are held separately from those of the Group in an independently administered fund.

Long-term contracts

Long-term contract balances in stock are stated at net cost, less foreseeable losses and payments on account. The excess of recorded turnover over payments on account for the same contracts are included in debtors as amounts recoverable on contracts. The excess of payments on account over both turnover and long term contract balances is reflected in creditors as payments on account.

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under PFI project agreements are charged against profits each year in order to build up the costs of the contracted repairs. The effect of the time value of money is not material and therefore the provisions are not discounted.

Onerous lease contract – A provision is made for the discounted contracted future costs of an operating lease when the related leased asset is no longer utilised in the normal course of the business.

Notes to the financial statements (continued)

at 31 March 2014

1. Accounting policies (continued)

Capitalisation of Interest

Interest on borrowings to finance the construction of properties held as tangible fixed assets is capitalised. Interest is capitalised from the date work starts on the property to the date when substantially all the activities that are necessary to get the property ready for use are complete. Where construction is completed in parts, each part is considered separately when capitalising interest.

Interest is capitalised before any allowances for tax relief.

Notes to the financial statements (continued)

at 31 March 2014

2. Turnover

Turnover represents the amount derived from the provision of goods and services falling within the Group's ordinary activities after deduction of value added tax. The Group operates in four principal areas of activity, that of construction, asset management, investment projects, and property and land development.

The Group operates within two geographical markets, the United Kingdom and the Republic of Ireland. Group turnover within the Republic of Ireland for the year ended 31 March 2014 amounted to £5.4m (2013 – £9.1m).

Turnover, Group operating profit and Net Assets are analysed as follows:

Area of activity – year ended 31 March 2014

	Construction	Asset management	Investment projects	Developments	Total
	£000	£000	£000	£000	£000
Turnover	363,677	54,109	6,863	1,331	425,980
Inter-segment sales	(1,759)	(4,958)	-	(1,167)	(7,884)
Sales to third parties	361,918	49,151	6,863	164	418,096
Segment (loss)/profit	(696)	2,754	4,940	59	7,057
Common costs					(1,826)
Group operating profit					5,231
Share of operating loss of joint ventures					(29)
Net interest					479
Profit on ordinary activities before taxation					5,681
Net assets	17,407	8,145	17,315	(3,049)	39,818
Share of joint ventures					(190)
Total net assets					39,628

Notes to the financial statements (continued)

at 31 March 2014

2 Turnover (continued)

Area of activity – year ended 31 March 2013

	Construction	Asset management	Investment projects	Developments	Total
	£000	£000	£000	£000	£000
Turnover	274,326	44,655	6,271	1,915	327,167
Inter-segment sales	(2,332)	(4,243)	-	(1,133)	(7,708)
Sales to third parties	271,994	40,412	6,271	782	319,459
Segment profit	2,978	2,029	3,229	279	8,515
Common costs					(2,052)
Group operating profit including profit on disposal of joint venture*					6,463
Share of operating profit of joint ventures					210
Net interest					99
Profit on ordinary activities before taxation					6,772
Net assets	19,547	6,360	12,161	(3,047)	35,021
Share of joint ventures					210
Total net assets					35,231

* The profit on disposal of joint venture is included within the Investment projects segment profit.

Notes to the financial statements (continued)

at 31 March 2014

3. Group operating profit

(a) This is stated after charging/(crediting):

	2014	2013
	£000	£000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts;	8	8
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries, pursuant to legislation	65	65
- Audit related assurance services	4	15
- Taxation compliance services	4	5
Fees in respect of the Graham Asset Management Limited pension scheme:		
- Audit	3	3
Depreciation of owned fixed assets	2,450	2,398
Depreciation of assets held under finance leases and hire purchase contracts	234	132
	2,684	2,530
Operating leases – land and buildings	418	410
Other operating leases	450	454
Rental income, net of outgoings	(54)	(77)
Amortisation of goodwill	144	132
Other operating income (note 3(b))	3,970	2,080
Profit on sale of fixed assets	(212)	(392)

(b) Other operating income

	2014	2013
	£000	£000
Profit on sale of investments	3,883	2,021
Other	87	59
	3,970	2,080

The profit on sale of investments arises from the disposal of shareholdings held as a result of obligations relating to the Group's trading activities.

Notes to the financial statements (continued)

at 31 March 2014

4. Directors' remuneration

	2014	2013
	£000	£000
Remuneration	947	827
Company contributions to money purchase pension scheme	196	228
Amounts paid to third parties for services as directors	86	83
	1,229	1,138

	No.	No.
Number of directors to whom benefits are accruing under defined benefit schemes	5	5

	2014	2013
	£000	£000
Amounts attributable to the highest paid director:		
Remuneration for service as executive	253	202
Company contributions to money purchase pension scheme	45	59
Accrued annual pension	13	13

5. Staff costs

	2014	2013
	£000	£000
Wages and salaries	48,024	43,380
Social security costs	4,962	4,189
Pension contribution	3,802	3,291
	56,788	50,860

The average monthly number of persons employed by the Group (including directors) during the year was 1,532 (2013 – 1,418).

Notes to the financial statements (continued)

at 31 March 2014

6. Interest payable and similar charges

	2014 £000	2013 £000
Bank loans and overdrafts	1,253	1,336
Finance charges under finance leases and hire purchase contacts	67	33
	1,320	1,369
Expected return on pension scheme assets (note 26)	(770)	(745)
Interest on pension scheme liability (note 26)	744	799
Net (credit)/charge (note 26)	(26)	54
	1,294	1,423

7. Tax

(a) Tax on Profit on ordinary activities

The tax charge is made up as follows:

	2014 £000	2013 £000
Current tax:		
UK corporation tax on Profit for the year	960	840
Adjustments in respect of previous periods	(228)	(726)
Foreign (Republic of Ireland) tax on Profit of the current year	27	62
Total current tax (note 7(b))	759	176
Deferred tax:		
Origination and reversal of timing differences	(415)	(36)
Timing differences arising from FRS17 pension adjustments	96	75
Effect of rate changes	(45)	25
Adjustment in respect of previous periods	126	500
Total deferred tax	(238)	564
Share of associates and joint venture tax	(5)	53
Tax on Profit on ordinary activities	516	793

Notes to the financial statements (continued)

at 31 March 2014

7. Tax (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23% (2013 – 24%). The differences are explained below:

	2014	*2013*
	£000	*£000*
Profit on ordinary activities before tax	5,681	6,772
Add back / (deduct) share of joint ventures loss/(profit) before tax	65	(138)
Group Profit on ordinary activities before tax	5,746	6,634
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 – 24%)	1,322	1,592
Effects of:		
Expenses not deductible net of income not chargeable for tax purposes	76	170
Income not taxable	-	-
Tax relief on substantial shareholdings	(893)	(713)
Entitlement to indexation allowance	-	(75)
Depreciation for period in excess of capital allowances	(69)	(78)
Pension timing differences	(86)	(69)
Utilisation of tax losses	575	124
Other timing differences	59	(27)
Lower Irish tax rates on subsidiary results (net of remittances)	(27)	(54)
Amortisation of goodwill	30	32
Adjustments in respect of previous periods	(228)	(726)
Current tax for the year (note 7(a))	759	176

(c) Deferred tax

	2014	*2013*
	£000	*£000*
Decelerated capital allowances	(36)	(131)
Short term timing differences	(57)	10
Losses	(511)	(143)
Other timing differences	(30)	(37)
Pension provisions	16	(201)
	(618)	(502)
Shown against pension provision (note 26)	(16)	201
Shown in debtors (note 14)	(634)	(301)

Notes to the financial statements (continued)

at 31 March 2014

7. Tax (continued)

(c) Deferred tax (continued)

Group		*£000*
At 1 April 2013		(502)
Charge/(Credit) to profit and loss account:	current year	(319)
	impact of rate change	(45)
	prior periods	126
Charge to statement of total recognised gains and losses- FRS 17		121
At 31 March 2014		(619)

The group applies FRS 17 'Retirement Benefits'. As a result, the pension related deferred tax asset is included on the face of the Balance Sheet under the heading 'Pension Liability'. The total movement for the year amounted to a charge of £217k (2013 – charge of £41k) with a charge to the Profit and Loss account of £96k inclusive of rate adjustment (2013 – charge of £75k) and a charge to the Statement of Total Recognised Gains and Losses of £121k (2013 – credit of £34k).

(d) Factors that may affect future tax charges

The Finance Act 2013, provided for the reduction in the main rate of corporation tax from 23% to 21% on 1 April 2014 and a subsequent reduction in the main rate to 20% on 1 April 2015.

(e) The company is a close company for tax purposes.

8. Profit attributable to members of parent undertaking

The Parent undertaking's Profit after tax for the financial year amounted to £947k (2013 – profit of £202k).

Notes to the financial statements (continued)

at 31 March 2014

9. Dividends

	2014 £000	2013 £000
Equity dividends on ordinary shares:		
1st interim dividend for 2014 – £4.54 per share (2013 – £4.54 per share)	237	237
2nd interim dividend for 2014 – £8.18 per share (2013 – £4.54 per share)	427	237
3rd interim dividend for 2014 – £4.54 per share (2013 – £4.54 per share)	237	237
Final dividend for 2014 – £4.54 per share (2013 – £4.54 per share)	237	237
Equity dividends on 'A' ordinary shares:		
1st interim dividend for 2014 – £0.23 per share (2013 – £0.23 per share)	13	13
2nd interim dividend for 2014 – £0.41per share (2013 – £0.23 per share)	23	13
3rd interim dividend for 2014 – £0.23 per share (2013 – £0.23 per share)	13	13
Final dividend for 2014 – £0.23 per share (2013 – £0.23 per share)	13	13
	1,200	1,000

10. Intangible fixed assets

Group	*Purchased goodwill £000*	*Goodwill on consolidation £000*	*Total £000*
Cost:			
At 1 April 2013	-	2,672	2,672
Additions	85	-	85
At 31 March 2014	85	2,672	2,757
Depreciation:			
At 1 April 2013	-	960	960
Charge for the year	13	131	144
At 31 March 2014	13	1,091	1,104
Net book value:			
At 31 March 2014	72	1,581	1,653
At 1 April 2013	-	1,712	1,712

Notes to the financial statements (continued)

at 31 March 2014

10. Intangible fixed assets (continued)

The goodwill on consolidation which arose on acquisitions in prior years is being amortised on a straight line basis over its estimated useful economic life of 20 years. On 28 June 2013 Graham Asset Management Limited acquired the trade and assets of Hughes Energy Limited (an Energy management Company) for cash consideration of £105,000. The Group has used acquisition accounting for the purchase. The resultant goodwill is being amortised over 5 years.

	Book and Fair Value of Net Assets on Acquisition £000
Assets acquired	
Stock	20
Net Assets	20
Goodwill arising on Acquisition	85
Cost of Acquisition	105

11. Tangible fixed assets

Group	*Land and buildings £000*	*Plant and machinery £000*	*Office equipment and computer software £000*	*Total £000*
Cost:				
At 1 April 2013	18,671	14,836	4,283	37,790
Additions	-	1,881	2,398	4,279
Disposals	-	(1,050)	(91)	(1,141)
At 31 March 2014	18,671	15,667	6,590	40,928
Depreciation:				
At 1 April 2013	2,901	10,202	2,371	15,474
Charge for the year	229	1,639	816	2,684
Disposals	-	(973)	(86)	(1,059)
At 31 March 2014	3,130	10,868	3,101	17,099
Net book value:				
At 31 March 2014	15,541	4,799	3,489	23,829
At 1 April 2013	15,770	4,634	1,912	22,316

Notes to the financial statements (continued)

at 31 March 2014

11. Tangible fixed assets (continued)

Included within land and buildings is £143k (2013 – £143k) of capitalised interest.

Included within office equipment and computer software cost is £1,931k of assets in the course of construction. These assets have not been depreciated as they have not been brought into use at year end.

The net book value of fixed assets includes £1.7m (2013 – £1.3m) in respect of assets held under hire purchase contracts.

Investment properties

Group	*£000*
Valuation:	
At 1 April 2013	1,079
Cost write-off	(105)
Disposals	(35)
At 1 April 2013 and 31 March 2014	939

12. Investments

Group	*2014*	*2013*
	£000	*£000*
Joint ventures (a)	(190)	210
Loans to joint ventures (a)	1,335	1,255
Other investments (c)	3	18

Company	*2014*	*2013*
	£000	*£000*
Subsidiaries (b)	44,184	44,184

(a) Group

Joint ventures

	£000
At 1 April 2013	210
Repayment of share capital by joint venture	(150)
Dividend payment	(190)
Share of loss retained by joint venture	(60)
At 31 March 2014	(190)

Notes to the financial statements (continued)

at 31 March 2014

12. Investments (continued)

	2014	2013
	£000	£000
Share of assets:		
Fixed assets	-	11
Current assets	659	1,192
	659	1,203
Share of liabilities:		
Liabilities due within one year	(849)	(993)
	(849)	(993)
	(190)	210

Loans to joint ventures

	£000
At 1 April 2013	1,255
Additions	80
At 31 March 2014	1,335

(b) Company

	£000
Shares in subsidiaries – cost and net book value:	
At 1 April 2013 and 31 March 2014	44,184

(c) Group

	£000
Shares in other investments at cost:	
At 1 April 2013	18
Disposals	(18)
Additions	3
At 31 March 2014	3

Other investments with a book value of £18k were disposed of during the year for a cash consideration of £8,756k, to give a Profit on disposal of £3,883k.

Notes to the financial statements (continued)

at 31 March 2014

12. Investments (continued)

Subsidiaries

At the balance sheet date, the wholly owned subsidiaries comprise:

Subsidiary	*Principal activity*	*Country of registration*
John Graham Construction Limited	Building and civil engineering works	Northern Ireland
John Graham Property Investments Limited	Property management	Northern Ireland
John Graham Developments Limited	Parent undertaking non-trading	Northern Ireland
Graham Asset Management Limited	Facilities management services	Northern Ireland
Graham Investment Projects Limited	Management of PFI investments	Northern Ireland
JGD (Lagan Mills) Limited[1]	Property development	Northern Ireland
JGD (Market Square) Limited[1]	Property development	Northern Ireland
JGD (Moira) Limited[1]	Property development	Northern Ireland
JGD (Mossvale) Limited[1]	Property development	Northern Ireland
JGD (The Mount) Limited[1]	Property development	Northern Ireland
JGD (Ormeau) Limited[1]	Property development	Northern Ireland
Graham Projects Limited[2]	Building and civil engineering works	Republic of Ireland
Irish Waterways Limited[2]	Dormant	Northern Ireland
Northwin Limited[3]	Provision of an educational facility under PFI	Northern Ireland
Northwin Holdings[2] (Belfast) Limited	Parent undertaking non-trading	Northern Ireland
Graham Asset Management (Ireland) Limited[6]	Facilities management services	Republic of Ireland
GIP One Limited[7]	Management of PFI investments	Northern Ireland
Northwin Intermediate[3] (Belfast) Limited	Non-trading	Northern Ireland
Northwin (Belfast) Limited[4]	Provision of an educational facility under PFI	Northern Ireland
GGF Developments[4] Limited	Non-trading	Northern Ireland
Northwin Developments (Belfast) Limited[5]	Property development	Northern Ireland
Northwin (Balmoral and Wellington) Limited[7]	Provision of an educational facility under PFI	Northern Ireland
Moss Lane Developments Limited[1]	Property development	Northern Ireland

Notes to the financial statements (continued)

at 31 March 2014

12. Investments (continued)

Subsidiaries (continued)

[1] held by John Graham Developments Limited
[2] held by John Graham Construction Limited
[3] held by GIP One Limited
[4] held by Northwin Intermediate (Belfast) Limited
[5] held by Northwin Holdings (Belfast) Limited
[6] held by Graham Asset Management Limited
[7] held by Graham Investment Projects Limited

Joint ventures

Group

		Direct or indirect holding	*Equity holding*
Graham Gambro Limited	Services under PFI	Indirect	50%*
Corrie Mains Mauchline Limited	Property Development	Indirect	50%**

* held by Graham Investment Projects Limited
** held by John Graham Developments Limited
All joint ventures are incorporated in Northern Ireland. The results for all joint ventures are to 31 March each year.

13. Stocks

Group	*2014*	*2013*
	£000	*£000*
Raw materials and consumables	635	584
Development land stock	1,740	1,740
	2,375	2,324

Notes to the financial statements (continued)

at 31 March 2014

14. Debtors

	Group		Company	
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Amounts receivable in less than one year:				
PFI debtor	963	878	–	–
Trade debtors	13,366	10,670	–	–
Amounts owed by group undertakings	–	–	110	110
Amounts recoverable on long term contracts	69,301	49,935	–	–
Other debtors	9,140	243	–	–
Corporation tax recoverable	515	444	–	–
Deferred tax	634	301	–	–
Prepayments and accrued income	9,689	6,420	–	–
Loans and loan notes*	–	1,443	–	–
	103,608	70,334	110	110
Amounts receivable in more than one year:				
PFI debtor	15,635	16,640	–	–
Loans and loan notes*	2,936	3,038	–	–
	18,571	19,678	–	–

* Loans and loan notes have been issued to investments classified within other investments in note 12.

15. Current asset investments

Group	*2014*	*2013*
	£000	*£000*
Listed investments:		
Cost at start and end of year	13	13
Other investments	–	–
	13	13

The market value of listed investments as at 31 March 2014 was £10k (2013 – £12k). Other investments represent short-term deposits recognised as current asset investments.

Notes to the financial statements (continued)

at 31 March 2014

16. Cash at bank and in hand

A balance of £3,198k (2013 – £8,527k) is included within cash at bank and in hand over which a fixed charge is held.

Included within cash at bank and in hand are deposits totalling £1,620k (2013 – £1,396k) in relation to payments in advance by a customer. These deposits are held in the relevant group undertakings name and can only be used subject to customer agreement.

17. Creditors: amounts falling due within one year

Group	*2014*	*2013*
	£000	*£000*
Bank loans (note 19)	1,476	1,377
Trade creditors and accruals	96,818	76,465
Other taxation and social security costs	3,743	2,020
Other creditors	–	1,014
Payments on account	1,633	3,143
Hire purchase and finance lease creditors (note 20)	464	321
	104,134	84,340

18. Creditors: amounts falling due after more than one year

	2014	*2013*
	£000	*£000*
Obligations under hire purchase contracts (note 20)	945	669
Bank loans and overdrafts (note 19)	20,322	22,105
	21,267	22,774

Notes to the financial statements (continued)

at 31 March 2014

19. Loans

Group	*2014* *£000*	*2013* *£000*
Amounts payable:		
Within one year or on demand	1,476	1,377
In one to two years	1,735	1,678
In two to five years	5,448	5,452
Over five years	13,139	14,975
	21,798	23,482
Less: Amounts due within one year or on demand	(1,476)	(1,377)
	20,322	22,105

Loans payable in more than five years

Interest on variable rate loans is charged at either Danske Bank base rate plus 1% to 1.25% or EURIBOR plus 1%. Interest on fixed rate loans is charged at a range of 7.2% to 7.65%. These loans are repayable in monthly instalments.

Security

Bank borrowings are secured by way of fixed and floating charges over the assets of the group. Bank overdrafts are repayable on demand.

The above figures include £9,515,433 (2013 – £10,212,841) with respect to the group providing an educational facility at Belfast Metropolitan College, under the Private Finance Initiative, Bank of Scotland (Ireland) Limited holds as security the following (without recourse to the rest of the Group):

- a charge over all contracts associated with the project;
- a direct agreement with the Education Board regarding step-in rights; and
- collateral warranties.

With respect to the group providing an educational facility at North West Regional College, under the Private Finance Initiative, the bank loan of £4,534,189 (2013 – £4,896,700) is secured by fixed and floating charges over the assets of the Northwin Limited (without recourse to the rest of the Group).

Notes to the financial statements (continued)

at 31 March 2014

20. Obligations under finance leases and hire purchase contracts

Group	*2014*	*2013*
	£000	*£000*
Analysis of obligations under hire purchase contracts:		
Within one year	464	321
In one to two years	475	261
In two to five years	470	408
	1,409	990

21. Provisions for liabilities

Group	*Lifecycle Provision*	*Lease Provision*	*Total*
	£000	*£000*	*£000*
At 1 April 2013	3,614	39	3,653
Increase in provision	857	13	870
Utilisation	(832)	-	(832)
At 31 March 2014	3,639	52	3,691

A provision is recognised for the costs incurred in relation to the contracted ongoing renewal requirements for PFI premises. The projected expenditure upon which this provision is based is reviewed annually.

The Group has lease commitments on certain properties which are not being used by the Group and do not provide an economic benefit. The Group's remaining exposure on these leases has been fully provided for on a discounted basis.

22. Deferred income

Group	*£000*
At 1 April 2013	1,063
Release to profit and loss	(66)
At 31 March 2014	997

Notes to the financial statements (continued)

at 31 March 2014

23. Issued share capital

Allotted, called up and fully paid	*No.*	*2014 £000*	*No.*	*2013 £000*
Ordinary shares of £1 each	52,250	52	52,250	52
'A' ordinary shares of 5p each	55,005	3	55,005	3
		55		55

'A' ordinary shareholders receive 5% of the ordinary share dividend for each of their shares. In all other respects the shares rank 'pari passu'.

24. Reconciliation of shareholders' funds and movements on reserves

Group	*Share capital £000*	*Revaluation reserve £000*	*Capital redemption reserve £000*	*Profit and loss account £000*	*Total £000*
At 1 April 2012	55	1,566	45	28,662	30,328
Profit for the year	–	–	–	5,979	5,979
Realisation of revaluation surplus	–	(62)	–	62	–
Dividends paid	–	–	–	(1,000)	(1,000)
Net actuarial loss	–	–	–	(147)	(147)
Deferred tax on actuarial loss	–	–	–	34	34
Retranslation of foreign subsidiary	–	–	–	37	37
At 1 April 2013	55	1,504	45	33,627	35,231
Profit for the year	–	–	–	5,165	5,165
Realisation of revaluation surplus	–	(32)	–	32	–
Dividends paid	–	–	–	(1,200)	(1,200)
Net actuarial gain	–	–	–	577	577
Deferred tax on actuarial gain	–	–	–	(121)	(121)
Retranslation of foreign subsidiary	–	–	–	(24)	(24)
At 31 March 2014	55	1,472	45	38,056	39,628

Notes to the financial statements (continued)

at 31 March 2014

24. Reconciliation of shareholders' funds and movements on reserves (continued)

Company	*Share capital*	*Merger reserve*	*Other capital reserve*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 1 April 2012	55	35,945	943	8,477	45,420
Profit for the year	–	–	–	202	202
Transfer on impairment and repayment of intergroup balance	–	–	(943)	943	–
Dividends paid	–	–	–	(1,000)	(1,000)
At 1 April 2013	55	35,945	–	8,622	44,622
Profit for the year	–	–	–	947	947
Dividends paid	–	–	–	(1,200)	(1,200)
At 31 March 2014	55	35,945	–	8,369	44,369

25. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash outflow from operating activities

	2014	*2013*
	£000	*£000*
Operating profit	5,231	5,514
Depreciation	2,684	2,530
Cost write down of fixed assets	105	-
Profit on sale of fixed assets	(212)	(392)
Amortisation of goodwill	144	132
(Increase)/decrease in stock	(31)	839
Increase in debtors	(29,056)	(17,143)
Increase in creditors	19,606	8,517
Deferred income released	(66)	(68)
Movement in provisions	38	371
Difference between pension charge and cash contributions	(346)	(342)
Net cash outflow from operating activities	(1,903)	(42)

Notes to the financial statements (continued)

at 31 March 2014

25. Notes to the statement of cash flows (continued)

(b) Analysis of net (debt)/funds

	At 1 April 2013	*Cash flow*	*Other non-cash changes*	*Exchange movement*	*At 31 March 2014*
	£000	*£000*	*£000*	*£000*	*£000*
Cash at bank and in hand	28,797	(11,258)	-	(16)	17,523
	28,797	(11,258)	-	(16)	17,523
Hire purchase agreements	(990)	483	(902)	-	(1,409)
Short-term loans	(1,377)	1,655	(1,754)	-	(1,476)
Long-term loans	(22,105)	-	1,754	29	(20,322)
Current asset investments	13	-	-	-	13
	4,338	(9,120)	(902)	13	(5,671)

(c) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £902k.

26. Pensions

The Group operates two defined benefit pension schemes, the John Graham (Dromore) Limited Pension and Life Assurance Scheme (which is a closed scheme) and the Graham Asset Management Limited Pension and Life Assurance Scheme, the assets of each scheme are held in a separate trustee-administered fund. The contributions to the schemes are determined with the advice of independent qualified actuaries on the basis of triennial valuations.

Actuarial valuation

The valuation used for FRS 17 purposes has been based on the most recent actuarial valuations at 5 April 2010 for the John Graham (Dromore) Limited Pension and Life Assurance Scheme, and 31 March 2013 for the Graham Asset Management Limited Pension and Life Assurance Scheme ('GAM scheme'), and have been updated by independent qualified actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the schemes at 31 March 2014; the present value of the defined benefit obligation was measured using the projected unit credit method. Scheme assets are stated at their market value at 31 March 2014. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the schemes for FRS 17 purposes were:

Notes to the financial statements (continued)

at 31 March 2014

26. Pensions (continued)

(a) Financial assumptions

John Graham (Dromore) Limited Pension and Life Assurance Scheme

		2014 (% p.a.)	*2013 (% p.a.)*
RPI Inflation		3.3	3.3
CPI Inflation		2.3	2.3
Rate of increase of pensions in payment:	prior to 6 April 1997	3.0	3.0
	after 5 April 1997	3.3	3.3
Discount rate for scheme liabilities		4.4	4.2

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over actual asset allocation for the scheme at the 5 April 2014.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 63 will live on average for a further 24 years if they are male and for a further 26 years if they are female. For a member who retires in 20 years at age 63 the assumptions are that they will live on average for a further 26 years after retirement if they are male and for a further 27 years if they are female.

The valuation under FRS 17 at 31 March 2014 shows a net pension deficit (before deferred tax) of £96k (2013 – deficit of £995k).

Graham Asset Management Limited Pension and Life Assurance Scheme

	2014 (% p.a.)	*2013 (% p.a.)*
Rate of increase in salaries	4.5	4.5
Retail price inflation (RPI) assumption	3.5	3.5
Consumer price index (CPI) assumption	N/A	2.75
Rate of increase of pensions in payment	3.4	2.75
Discount rate for scheme liabilities	4.4	4.4

Notes to the financial statements (continued)

at 31 March 2014

26. Pensions (continued)

The long-term expected return on bonds and cash is determined by reference to UK long dated government bond yields at the balance sheet date netted down for fund management charges. The long-term expected rate of return on equities is based on the net rate of return on UK long dated government bonds with an allowance for out performance.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 22.2 years if they are male and for a further 24.5 years if they are female. For a member who retires in 20 years at age 65 the assumptions are that they will live on average for a further 24.0 years after retirement if they are male and for a further 26.4 years if they are female.

The valuation under FRS 17 at 31 March 2014 shows a net pension surplus (before deferred tax) of £169k (2013 – surplus of £119k).

(b) Assets of the schemes and the expected rates of return

Combined

		Value at
	2014	*2013*
	£000	*£000*
Equities	7,326	6,706
Corporate bonds	1,504	1,440
Gilts	2,027	2,095
Cash and other	2,660	2,522
Assets held in respect of insured pensioners	4,030	4,350
Total market value of assets	17,547	17,113

John Graham (Dromore) Limited Pension and Life Assurance Scheme

	Long term rate of expected return 2014 (% p.a.)	*Value 2014 £000*	*Long term rate of expected return 2013 (% p.a.)*	*Value 2013 £000*
Equities	7.8	6,540	6.9	5,951
Corporate bonds	4.2	1,504	3.9	1,440
Gilts	3.4	1,826	2.6	1,891
Cash and other	1.7	2,531	1.7	2,434
Assets held in respect of insured pensioners	4.4	4,030	4.2	4,350
Total market value of assets		16,431		16,066

Notes to the financial statements (continued)

at 31 March 2014

26. Pensions (continued)

Graham Asset Management Limited Pension and Life Assurance Scheme

	Long term rate of expected return 2014 (% p.a.)	*Value 2014 £000*	*Long term rate of expected return 2013 (% p.a.)*	*Value 2013 £000*
Equities	4.7	786	4.4	755
Gilts	2.7	201	2.4	204
Cash and other	2.7	129	2.4	88
Total market value of assets		1,116		1,047

(c) Analysis of the amount charged to operating profit

Group	*2014 £000*	*2013 £000*
Current service cost	36	48

(d) Analysis of the amount charged to interest payable and similar charges

Group	*2014 £000*	*2013 £000*
Expected return on pension scheme assets	770	745
Interest on pension scheme liability	(744)	(799)
Net credit / (charge)	26	(54)

The above asset and liability figures exclude the insured pension liability.

The actual return on scheme assets for the year ended 31 March 2014 was £731k (2013 – £1,530k).

Notes to the financial statements (continued)

at 31 March 2014

26. Pensions (continued)

(e) Analysis of the amount recognised in the statement of total recognised gains and losses

Group	*2014*	*2013*
	£000	*£000*
Actual return less expected return on pension scheme assets	(39)	785
Experience gains and losses arising on the scheme liability	190	1
Restriction on recognisable surplus in GAM scheme	(118)	-
Changes in assumptions underlying the present value of the scheme liability	544	(933)
Actuarial gain / (loss) recognised in the statement of total recognised gains and losses	577	(147)

(f) Reconciliation to balance sheet

Group	*2014*	*2013*
	£000	*£000*
Total market value of non-insured asset	13,517	12,763
Assets held in respect of insured pensioners	4,030	4,350
Total market value of assets	17,547	17,113
Present value of non-insured scheme liabilities	13,326	13,639
Liability in respect of insured pensioners	4,030	4,350
Present value of scheme liabilities	17,356	17,989
Surplus / (deficit) in schemes before surplus restriction	191	(876)
Restriction on recognisable surplus in GAM scheme	(118)	-
Revised surplus / (deficit) in schemes	73	(876)
Related deferred tax asset	(15)	201
Net pension asset / (liability)	58	(675)

The pension plans have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

Notes to the financial statements (continued)

at 31 March 2014

26. Pensions (continued)

(g) Analysis of movement in surplus / (deficit) during the year

Group	*2014*	*2013*
	£000	*£000*
Liability in scheme at beginning of the year	(876)	(1,017)
Current service cost	(36)	(48)
Contributions	382	390
Net interest received	26	(54)
Actuarial gain / (loss)	577	(147)
Asset / (liability) in scheme at end of the year	73	(876)

Contributions to the Graham Asset Management Limited Pension and Life Assurance Scheme are payable at the rate of 37.9% of pensionable salaries. This amounted to £54k during year ended 31 March 2014 (2013 – £61k). Regular employer contributions during year ended 31 March 2014 are estimated to be £52k.

Contributions to the John Graham (Dromore) Limited Pension and Life Assurance Scheme were £27,400 per month. Regular employer contributions during year ended 31 March 2014 are estimated to be £329k.

(h) History of experience gains and losses

Group	*2014*	*2013*	*2012*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of scheme asset	17,547	17,113	15,791	14,725	14,200
Defined benefit obligation	(17,356)	(17,989)	(16,808)	(15,054)	(16,143)
Surplus/(deficit) in scheme	191	(876)	(1,017)	(329)	(1,943)
Experience gains/(losses) on scheme assets	(39)	785	249	(195)	1,855
Experience gains/(losses) on scheme liabilities	272	386	(16)	696	(134)

The above asset and liability figures include the insured pension liability.

Notes to the financial statements (continued)

at 31 March 2014

26. Pensions (continued)

(i) Other pension arrangements in Graham Asset Management

Within the Asset Management division, as a result of a number of contracts and related TUPE arrangements the Group participates in a number of other defined benefit pensions schemes. The contractual arrangements are such that the Group's liability is in effect similar to it operating Defined Contribution schemes in those cases. The company made contributions of £107k to these schemes during the year and there were £16k of contributions outstanding at the year end.

27. Other financial commitments

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as set out below:

	Property 2014 £000	*Office equipment 2014 £000*	*Motor vehicles 2014 £000*	*Property 2013 £000*	*Office equipment 2013 £000*	*Motor vehicles 2013 £000*
Operating leases which expire:						
Within one year	28	45	-	83	31	-
In two to five years	389	261	305	209	63	221
Over five years	108	-	-	85	-	-
	525	306	305	377	94	221

28. Contingent liabilities

Contingencies exist in respect of guarantees and undertakings of a trading nature including, for instance, obligations accepted in entering contract joint ventures and entering into guarantee bonds. Appropriate provisions are made in assessing amounts recoverable on contracts when any liabilities are deemed to exist in relation to these guarantees and undertakings.

Notes to the financial statements (continued)

at 31 March 2014

29. Related party transactions

The Company has taken advantage of the exemption in FRS 8 'Related Party disclosures' from disclosing transactions with 100% owned subsidiaries that are part of the John Graham Holdings Limited group of companies.

In the normal course of business the Group provides, facilities management, and management services, on an arms-length basis, to Joint Ventures. The total services provided by the Group to Joint Ventures amounted to £200k (2013 – £276k). Amounts due from the Joint Ventures at the year end were £1,355k (2013 – £1,270k).

30. Ultimate parent undertaking and controlling party

There is no ultimate controlling party of the Company.