John Graham Holdings Limited

Report and Financial Statements

31 March 2015

Directors

Michael E J Graham
Alan K Bill
Andrew K Bill
Steven H Creighton (resigned 16/09/14)
Colin J Graham
Robin N Graham
David S Watters
Courtney P McCormick (appointed 16/09/14)

Secretary

Steven H Creighton (resigned 16/09/14)

Auditors

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

Bankers

Danske Bank
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 2015.

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.

Financial performance

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

	2015 *£000*	*2014* *£000*
Group turnover and share of joint venture turnover	490,941	418,511
Profit on ordinary activities before taxation	7,435	5,681
Net Profit Margin	1.5%	1.4%

The directors deem the results as satisfactory.

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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

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; project auditing through the risk assurance team; 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 will assist in the profitable and controlled growth of the business.

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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

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.

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
30th June 2015

REGISTERED No. NI 057921

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2015.

Results and dividends

The group profit for the year after taxation amounted to £5,944k (2014 – profit of £5,165k). The directors do not recommend a final dividend (2014 – £nil). Retained profits carried forward are £41.5m (2014 – profits of £38.1m). During the year dividends of £1.45m were proposed and paid (2014 – £1.2m).

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.

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.

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)

Directors

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

Michael E J Graham
Alan K Bill
Andrew K Bill
Steven H Creighton (resigned 16/09/14)
Courtney P McCormick (appointed 16/09/14)
Colin J Graham
Robin N Graham
David S Watters

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 company'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.

Directors' Report (continued)

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

Courtney McCormick
Director
30th June 2015

Directors Responsibility Statement

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 company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 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 2015 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 31. 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 undertaking'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 2015 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

Michael Kidd (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
3rd of July 2015

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 2015

		Notes	2015 £000	2014 £000
Turnover				
Group and share of joint venture's turnover			490,941	418,511
Less: share of turnover of joint ventures			–	(415)
			490,941	418,096
Cost of sales			(456,734)	(394,880)
Gross Profit			34,207	23,216
Administrative expenses			(27,286)	(21,955)
Other operating income		3(b)	150	3,970
Group operating Profit		3(a)	7,071	5,231
Share of operating (Loss) in joint ventures			(1)	(29)
Profit on ordinary activities before finance charges			7,070	5,202
Interest receivable and similar income	–group	7	1,618	1,837
	–joint ventures		–	2
			1,618	1,839
Interest payable and similar charges	–group	6	(1,213)	(1,322)
	–joint ventures		(40)	(38)
			(1,253)	(1,360)
Profit on ordinary activities before taxation			7,435	5,681
Tax		8	(1,491)	(516)
Profit for the financial year		25	5,944	5,165

All amounts relate to continuing activities.

Group Statement of total recognised gains and losses

for the year ended 31 March 2015

	Notes	*2015* *£000*	*2014* *£000*
Profit for the financial year excluding share of joint ventures		5,985	5,225
Share of joint ventures' loss for the year		(41)	(60)
Profit for the financial year		5,944	5,165
Net actuarial (loss)/gain recognised in respect of pension scheme	27(e)	(1,327)	577
Deferred tax credit/(charge) on net actuarial (loss)/gain	8(c)	242	(121)
Currency adjustments on retranslation of foreign subsidiaries		(47)	(24)
Total recognised gains relating to the year		4,812	5,597

Group Note of historical cost profit and loss

for the year ended 31 March 2015

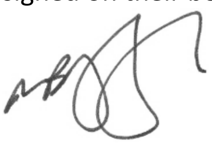
	2015 £000	2014 £000
Reported Profit on ordinary activities before taxation	7,435	5,681
Historical cost on ordinary activities before taxation	7,435	5,681
Historical cost Profit retained for the year after taxation	5,944	5,165

Group Balance Sheet

at 31 March 2015

		Notes	2015 £000	2014 £000
Fixed assets				
Intangible assets		11	1,504	1,653
Tangible fixed assets		12	21,241	23,829
Investment properties		12	1,823	939
Investments – joint ventures:	share of gross assets	13	643	659
	share of gross liabilities	13	(889)	(849)
			(246)	(190)
Loan to joint venture		13	1,417	1,335
Investments – other		13	3	3
			25,742	27,569
Current assets				
Stocks		14	2,288	2,375
Debtors: amounts receivable in less than one year		15	127,077	103,608
Debtors: amounts receivable in more than one year		15	17,546	18,571
			144,623	122,179
Investments		16	13	13
Cash at bank and in hand		17	31,944	17,523
			178,868	142,090
Creditors: amounts falling due within one year		18	(137,223)	(104,134)
Net current Assets			41,645	37,956
Total assets less current liabilities			67,387	65,525
Creditors: amounts falling due after more than one year		19	(19,201)	(21,267)
Deferred income		23	(930)	(997)
Provisions for liabilities		22	(3,813)	(3,691)
Net Assets excluding pension (Liability)/Asset			43,443	39,570
Pensions		27	(534)	58
Net Assets including pension (Liability)/Asset			42,909	39,628
Capital and reserves				
Called up share capital		24	55	55
Revaluation reserve		25	1,275	1,472
Capital redemption reserve		25	45	45
Profit and loss account		25	41,534	38,056
Shareholders' funds		25	42,909	39,628

The financial statements were approved and authorised for issue by the board of directors and were signed on their behalf on 30th June 2015.



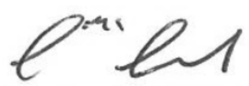
Michael Graham
Director

Company Balance Sheet

at 31 March 2015

	Notes	*2015* *£000*	*2014* *£000*
Fixed assets			
Investments	13	44,184	44,184
Current assets			
Debtors	15	110	110
Cash at bank and in hand		17	75
		127	185
Net Assets		44,311	44,369
Capital and reserves			
Called up share capital	24	55	55
Merger reserve	25	35,945	35,945
Profit and loss account	25	8,311	8,369
Shareholders' funds	25	44,311	44,369

The financial statements were approved and authorised for issue by the board of directors and were signed on their behalf on 30th June 2015.



Courtney McCormick
Director

Group Statement of Cash Flows

for the year ended 31 March 2015

	Note	2015 £000	2014 £000
Net cash Inflow / (outflow) from operating activities	26(a)	19,052	(1,903)
Returns on investment and servicing of finance			
Interest received		1,040	1,327
Dividends received		–	190
Interest paid		(1,141)	(1,255)
Interest element of hire purchase rental		(74)	(67)
Net cash outflow/inflow from returns on investments and servicing of finance		(175)	195
Taxation			
Corporation tax		73	(831)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,410)	(3,377)
Receipts from sales of tangible fixed assets		703	329
Payments to acquire investment		–	(3)
Loans (provided to)/repaid from joint ventures, associates and investments		–	(2,375)
Net cash outflow from capital expenditure and financial investment		(707)	(5,426)
Acquisitions and disposals			
Acquisition of trade and assets		–	(105)
Repayment of share capital from joint venture		–	150
		–	45
Equity dividends paid		(1,450)	(1,200)
Net cash inflow from operating activities and before use of liquid resources and financing		16,793	(9,120)
Financing			
Capital element of hire purchase rental		(545)	(483)
Net movement on loans		(1,801)	(1,655)
		(2,346)	(2,138)
Increase/ (Decrease) in cash		14,447	(11,258)

Group Statement of Cash Flows (continued)

for the year ended 31 March 2015

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

	2015	*2014*
	£000	*£000*
Increase/(decrease) in cash in the year	14,447	(11,258)
Cash outflow re capital element of hire purchase rental	545	483
Cash outflow from decrease in loans	1,801	1,655
Change in net debt resulting from cash flows	16,793	(9,120)
New finance leases	(516)	(902)
Translation difference	84	13
Movement in net funds/(debt) in the year	16,361	(10,009)
Net funds at 1 April	(5,671)	4,338
Net funds/(debt) at 31 March	10,690	(5,671)

Notes to the financial statements

at 31 March 2015

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 2015. 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 ventures 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 2015

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 2015

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 2015

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 2015

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 2015

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 2015

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 2015

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 2015 amounted to £1.6m (2014 – £5.4m).

Turnover, Group operating profit and net assets are analysed as follows:

Area of activity – year ended 31 March 2015

	Construction	*Asset management*	*Investment projects*	*Developments*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Turnover	428,704	62,453	6,805	1,480	499,442
Inter-segment sales	(2,906)	(4,246)	(12)	(1,337)	(8,501)
Sales to third parties	425,798	58,207	6,793	143	490,941
Segment Profit	5,079	3,234	1,281	(472)	9,122
Common costs					(2,052)
Group operating Profit					7,070
Share of operating loss of joint ventures					(1)
Net interest					366
Profit on ordinary activities before taxation					7,435
Net Assets	18,247	10,513	17,500	(3,104)	43,156
Share of joint ventures					(247)
Total net Assets					42,909

Notes to the financial statements (continued)

at 31 March 2015

2 Turnover (continued)

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

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

Notes to the financial statements (continued)

at 31 March 2015

3. Group operating profit

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

	2015 *£000*	*2014* *£000*
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	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	66	65
– Audit related assurance services	4	4
– Taxation compliance services	4	4
Fees in respect of the Graham Asset Management Limited pension scheme:		
– Audit	4	3
Depreciation of owned fixed assets	2,617	2,450
Depreciation of assets held under finance leases and hire purchase contracts	375	234
	2,992	2,684
Operating leases – land and buildings	484	418
Other operating leases	422	450
Rental income, net of outgoings	(26)	(54)
Amortisation of goodwill	149	144
Other operating income (note 3(b))	150	3,970
Profit on sale of fixed assets	(262)	(212)

(b) Other operating income

	2015 *£000*	*2014* *£000*
Profit on sale of investments	–	3,883
Other	150	87
	150	3,970

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 2015

4. Directors' remuneration

	2015	*2014*
	£000	*£000*
Remuneration	1,190	947
Company contributions to money purchase pension scheme	102	196
Amounts paid to third parties for services as directors	42	86
	1,334	1,229

The number of directors who:	*No.*	*No.*
Are members of defined benefit pension scheme	*5*	*5*
Are members of a defined contribution scheme	7	7

	2015	*2014*
	£000	*£000*
Amounts attributable to the highest paid director:		
Remuneration for service as executive	313	253
Company contributions to money purchase pension scheme	61	45
Accrued annual pension	0	13

5. Staff costs

	2015	*2014*
	£000	*£000*
Wages and salaries	53,693	48,024
Social security costs	5,481	4,962
Pension contribution	4,424	3,802
	63,598	56,788

The average monthly number of persons employed by the Group (including directors) during the year was 1,645 (2014 – 1,532).

Notes to the financial statements (continued)

at 31 March 2015

6. Interest payable and similar charges

	2015 *£000*	*2014* *£000*
Bank loans and overdrafts	1,139	1,255
Finance charge under finance leases and hire purchase contacts	74	67
	1,213	1,322

7. Interest receivable and similar income

	2015 *£000*	*2014* *£000*
Bank interest	264	429
Other Interest	1,212	1,382
	1,476	1,811
Expected return on pension scheme assets (note 27)	894	770
Interest on pension scheme liability (note 27)	(752)	(744)
Net interest receivable (note 27)	142	26
	1,618	1,837

Notes to the financial statements (continued)

at 31 March 2015

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015 *£000*	*2014* *£000*
Current tax:		
UK corporation tax on profits for the year	1,406	960
Adjustments in respect of previous years	(521)	(228)
Foreign (Republic of Ireland) tax on profits of the current year	140	27
Total current tax (note 8(b))	1,025	759
Deferred tax:		
Origination and reversal of timing differences	(79)	(415)
Timing differences arising from FRS 17 pension adjustments	97	96
Effect of rate changes	(4)	(45)
Adjustment in respect of previous years	452	126
Total deferred tax	466	(238)
Share of associates and joint venture tax	–	(5)
Tax on profit on ordinary activities	1,491	516

Notes to the financial statements (continued)

at 31 March 2015

8. 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 21% (2014 – 23%). The differences are explained below:

	2015	*2014*
	£000	*£000*
Profit on ordinary activities before tax	7,435	5,681
Add back/(deduct) share of joint ventures loss /(profit) before tax	40	65
Group profit on ordinary activities before tax	7,475	5,746
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014 – 23%)	1,570	1,322
Effects of:		
Expenses not deductible net of income not chargeable for tax purposes	57	76
Income not taxable	–	–
Tax relief on substantial shareholdings	–	(893)
Entitlement to indexation allowance	–	–
Depreciation for year in excess of capital allowances	(12)	(69)
Pension timing differences	(97)	(86)
Utilisation of tax losses	91	575
Other timing differences	3	59
Lower Irish tax rates on subsidiary results (net of remittances)	(94)	(27)
Amortisation of goodwill	28	30
Adjustments in respect of previous periods	(521)	(228)
Current tax for the year (note 8(a))	1,025	759

Notes to the financial statements (continued)

at 31 March 2015

8. Tax (continued)

(c) Deferred tax

	2015	*2014*
	£000	*£000*
Decelerated capital allowances	(47)	(36)
Short term timing differences	(88)	(57)
Losses	(97)	(511)
Other timing differences	(29)	(30)
Pension provisions	(134)	16
	(395)	(618)
Shown against pension provision (note 27)	134	(16)
Shown in debtors (note 15)	(261)	(634)

Group	*£000*
At 1 April 2014	(619)
Charge / (credit) to profit and loss account:	
current year	18
impact of rate change	(4)
prior years	452
Charge to statement of total recognised gains and losses – FRS 17	(242)
At 31 March 2015	(395)

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 credit of £150k (2014 – charge of £217k) with a charge to the Profit and Loss account of £92k inclusive of rate adjustment (2014 – charge of £96k) and a credit to the Statement of Total Recognised Gains and Losses of £242k (2014 – charge of £121k).

(d) Factors that may affect future tax charges

The Finance Act 2014, provided for the reduction in the main rate of corporation tax from 21% to 20% on 1 April 2015, which will affect the future taxable profits of John Graham Holdings Limited.

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

Notes to the financial statements (continued)

at 31 March 2015

9. Profit attributable to members of parent undertaking

The Parent undertaking's Profit after tax for the financial year amounted to £1,392k (2014 – profit of £947k).

10. Dividends

	2015 £000	2014 £000
Equity dividends on ordinary shares:		
1st interim dividend for 2015 – £8.18 per share (2014 – £4.54 per share)	427	237
2nd interim dividend for 2015 – £4.54 per share (2014 – £8.18 per share)	237	427
3rd interim dividend for 2015 – £4.54 per share (2014 – £4.54 per share)	237	237
Final dividend for 2015 – £9.09 per share (2014 – £4.54 per share)	475	237
Equity dividends on 'A' ordinary shares:		
1st interim dividend for 2015 – £0.41 per share (2014 – £0.23 per share)	23	13
2nd interim dividend for 2015 – £0.23 per share (2014 – £0.41 per share)	13	23
3rd interim dividend for 2015 – £0.23 per share (2014 – £0.23 per share)	13	13
Final dividend for 2015 – £0.45 per share (2014 – £0.23 per share)	25	13
	1,450	1,200

Notes to the financial statements (continued)

at 31 March 2015

11. Intangible fixed assets

Group	*Purchased goodwill £000*	*Goodwill on consolidation £000*	*Total £000*
Cost:			
At 1 April 2014	85	2,672	2,757
Additions	–	–	–
At 31 March 2015	85	2,672	2,757
Depreciation:			
At 1 April 2014	13	1,091	1,104
Charge for the year	17	132	149
At 31 March 2015	30	1,223	1,253
Net book value:			
At 31 March 2015	55	1,449	1,504
At 1 April 2014	72	1,581	1,653

12. Tangible fixed assets

Group	*Land and buildings £000*	*Plant and machinery £000*	*Office equipment and computer software £000*	*Total £000*
Cost:				
At 1 April 2014	18,671	15,667	6,590	40,928
Additions	–	1,284	642	1,926
Disposals	(1,392)	(1,167)	(442)	(3,001)
At 31 March 2015	17,279	15,784	6,790	39,853
Depreciation:				
At 1 April 2014	3,130	10,868	3,101	17,099
Charge for the year	220	1,734	1,038	2,992
Write down	197	–	–	197
Disposals	(107)	(1,130)	(439)	(1,676)
At 31 March 2015	3,440	11,472	3,700	18,612
Net book value:				
At 31 March 2015	13,839	4,312	3,090	21,241
At 1 April 2014	15,541	4,799	3,489	23,829

Included within land and buildings is £143k (2014 – £143k) of capitalised interest. The net book value of fixed assets includes £1.7m (2014 – £1.7m) in respect of assets held under hire purchase contracts.

Notes to the financial statements (continued)

at 31 March 2015

12. Tangible fixed assets (continued)

Investment properties

Group	*£000*
Valuation:	
At 1 April 2014	939
Transfer	884
Disposals	–
At 31 March 2015	1,823

13. Investments

Group	*2015* *£000*	*2014* *£000*
Joint ventures (a)	(246)	(190)
Loans to joint ventures (a)	1,417	1,335
Other investments (c)	3	3

Company	*2015* *£000*	*2014* *£000*
Subsidiaries (b)	44,184	44,184

(a) Group

Joint Ventures

	£000
At 1 April 2014	(190)
Repayment of share capital by joint venture	(1)
Dividend payment	(15)
Disposal	15
Share of loss retained by joint venture	(55)
At 31 March 2015	(246)

Notes to the financial statements (continued)

at 31 March 2015

13. Investments (continued)

	2015	*2014*
	£000	*£000*
Share of assets:		
Fixed assets	–	–
Current assets	643	659
	643	659
Share of liabilities:		
Liabilities due within one year	(889)	(849)
	(889)	(849)
	(246)	(190)

Loans to joint ventures

	£000
At 1 April 2014	1,335
Additions	82
At 31 March 2015	1,417

(b) Company

	£000
Shares in subsidiaries – cost and net book value:	
At 1 April 2014 and 31 March 2015	44,184

(c) Group

	£000
Shares in other investments at cost:	
At 1 April 2014	3
Disposals	–
Additions	–
At 31 March 2015	3

Notes to the financial statements (continued)

at 31 March 2015

13. 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

[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*

Notes to the financial statements (continued)

at 31 March 2015

13. Investments (continued)

Joint Ventures

Group

		Direct or indirect holding	*Equity holding*
Corrie Mains Mauchline Limited	Property Development	Indirect	50%*

* 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.

14. Stocks

Group

	2015 *£000*	*2014* *£000*
Raw materials and consumables	548	635
Development land stock	1,740	1,740
	2,288	2,375

Notes to the financial statements (continued)

at 31 March 2015

15. Debtors

	Group		Company	
	2015	*2014*	*2015*	*2014*
	£000	*£000*	*£000*	*£000*
Amounts receivable in less than one year:				
PFI debtor	1,008	963	–	–
Trade debtors	43,316	13,366	–	–
Amounts owed by group undertakings	–	–	110	110
Amounts recoverable on long term contracts	69,517	69,301	–	–
Other debtors	15	9,140	–	–
Corporation tax recoverable	–	515	–	–
Deferred tax	261	634	–	–
VAT	57	–	–	
Prepayments and accrued income	12,504	9,689	–	–
Loans and loan notes*	399	–	–	–
	127,077	103,608	110	110
Amounts receivable in more than one year:				
PFI debtor	14,627	15,635	–	–
Loans and loan notes*	2,919	2,936	–	–
	17,546	18,571	–	–

* Loans and loan notes have been issued to investments classified within other investments in note 13.

Notes to the financial statements (continued)

at 31 March 2015

16. Current asset investments

Group

	2015	*2014*
	£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 2015 was £8k (2014 – £10k). Other investments represent short-term deposits recognised as current asset investments.

17. Cash at bank and in hand

A balance of £3,872k (2014 – £3,198k) 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 £1,908k (2014 – £1,620k) 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.

18. Creditors: amounts falling due within one year

Group	*2015*	*2014*
	£000	*£000*
Bank loans (note 20)	1,468	1,476
Trade creditors and accruals	121,390	96,818
Corporation tax	579	–
VAT	4,927	1,121
Other creditors	2,807	2,622
Payments on account	5,453	1,633
Hire purchase and finance lease creditors (note 21)	599	464
	137,223	104,134

Notes to the financial statements (continued)

at 31 March 2015

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

	2015	*2014*
	£000	*£000*
Obligations under hire purchase contracts (note 21)	782	945
Bank loans and overdrafts (note 20)	18,419	20,322
	19,201	21,267

20. Loans

Group	*2015*	*2014*
	£000	*£000*
Amounts payable:		
Within one year or on demand	1,468	1,476
In one to two years	1,731	1,735
In two to five years	5,459	5,448
Over five years	11,229	13,139
	19,887	21,798
Less: amounts due within one year or on demand	(1,468)	(1,476)
	18,419	20,322

Loans payable in more than five years

Interest on variable rate loans is charged at Danske Bank base rate plus 1.25% to 1% or EURIBOR plus 1%. Interest on fixed rate loans is charged at a range of 7.65% to 7.1%. These loans are repayable in monthly instalments.

Notes to the financial statements (continued)

at 31 March 2015

20. Loans (continued)

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 £8,776,286 (2014 – £9,515,433) 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 £4,142,753 (2014 – £4,534,189) is secured by fixed and floating charges over the assets of the Northwin Limited (without recourse to the rest of the Group).

21. Obligations under finance leases and hire purchase contracts

Group	*2015*	*2014*
	£000	*£000*
Analysis of obligations under hire purchase contracts:		
Within one year	599	464
In one to two years	506	475
In two to five years	276	470
	1,381	1,409

Notes to the financial statements (continued)

at 31 March 2015

22. Provisions for liabilities

Group	*Lifecycle provision*	*Lease provision*	*Total*
	£000	*£000*	*£000*
At 1 April 2014	3,639	52	3,691
Increase in provision	695	–	695
Utilisation	(541)	(32)	(573)
At 31 March 2015	3,793	20	3,813

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.

23. Accruals and deferred income

Group	*£000*
At 1 April 2014	997
Release to profit and loss	(67)
At 31 March 2015	930

24. Issued share capital

		2015		*2014*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£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'.

Notes to the financial statements (continued)

at 31 March 2015

25. 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 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 1 April 2014	55	1,472	45	38,056	39,628
Profit for the year	–	–	–	5,944	5,944
Realisation of revaluation reserve	–	(197)	–	–	(197)
Dividends paid	–	–	–	(1,450)	(1,450)
Net actuarial loss	–	–	–	(1,327)	(1,327)
Deferred tax on actuarial loss	–	–	–	240	240
Release of pension surplus	–	–	–	118	118
Retranslation of foreign subsidiary	–	–	–	(47)	(47)
At 31 March 2015	55	1,275	45	41,534	42,909

Notes to the financial statements (continued)

at 31 March 2015

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

Company	*Share capital £000*	*Merger reserve £000*	*Other capital reserve £000*	*Profit and loss account £000*	*Total £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 1 April 2014	55	35,945	–	8,369	44,369
Profit for the year	–	–	–	1,392	1,392
Dividends paid	–	–	–	(1,450)	(1,450)
At 31 March 2015	55	35,945	–	8,311	44,311

26. Notes to the statement of cash flows

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

	2015 £000	*2014 £000*
Operating Profit	7,071	5,231
Depreciation	2,992	2,684
Cost write down of fixed assets	–	105
Profit on sale of fixed assets	(262)	(212)
Amortisation of goodwill	149	144
Increase in stock	87	(31)
Increase in debtors	(23,467)	(29,056)
Increase in creditors	32,756	19,606
Deferred income released	(67)	(66)
Movement in provisions	122	38
Difference between pension charge and cash contributions	(329)	(346)
Net cash inflow/(outflow) from operating activities	19,052	(1,903)

Notes to the financial statements (continued)

at 31 March 2015

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

(b) Analysis of net funds/(debt)

	At 1 April 2014	*Cash flow*	*Other non-cash changes*	*Exchange movement*	*At 31 March 2015*
	£000	*£000*	*£000*	*£000*	*£000*
Cash at bank and in hand	17,523	14,447	–	(26)	31,944
Hire purchase agreements	(1,409)	545	(516)	–	(1,380)
Short-term loans	(1,476)	1,801	(1,793)	–	(1,468)
Long-term loans	(20,322)	–	1,793	110	(18,419)
Current asset investments	13	–	–	–	13
	(5,671)	16,793	(516)	84	10,690

(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.

27. 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 2013 and has been updated by independent qualified actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2015; 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 2015. 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 2015

27. Pensions (continued)

(a) Financial assumptions

John Graham (Dromore) Limited Pension and Life Assurance Scheme

		2015 (% p.a.)	*2014 (% p.a.)*
RPI Inflation		3.0	3.3
CPI Inflation		2.0	2.3
Rate of increase of pensions in payment:	prior to 6 April 1997	3.0	3.0
	after 5 April 1997	3.5	3.3
Discount rate for scheme liabilities		3.3	4.4

The valuation under FRS 17 at 31 March 2015 shows a net pension deficit (before deferred tax) of £953k (2014 – deficit of £96k).

Graham Asset Management Limited Pension and Life Assurance Scheme

	2015 (% p.a.)	*2014 (% p.a.)*
Rate of increase in salaries	5.0	4.5
Retail price inflation (RPI) assumption	3.0	3.5
Consumer price index (CPI) assumption	1.0	N/A
Rate of increase of pensions in payment	2.95	3.4
Discount rate for scheme liabilities	3.30	4.4

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 24.7 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 23.9 years after retirement if they are male and for a further 26.3 years if they are female.

The valuation under FRS 17 at 31 March 2015 shows a net pension surplus (before deferred tax) of £286k (2014 – surplus of £169k).

Notes to the financial statements (continued)

at 31 March 2015

27. Pensions (continued)

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

Combined	*2015 £000*	*Value at 2014 £000*
Equities	8,010	7,326
Corporate bonds	1,761	1,504
Gilts	2,592	2,027
Cash and other	2,618	2,660
Assets held in respect of insured pensioners	4,610	4,030
Total market value of assets	19,591	17,547

John Graham (Dromore) Limited Pension and Life Assurance Scheme

	Long term rate of expected return 2015 (% p.a.)	*Value 2015 £000*	*Long term rate of expected return 2014 (% p.a.)*	*Value 2014 £000*
Equities	6.7	7,210	7.8	6,540
Corporate bonds	3.1	1,761	4.2	1,504
Gilts	2.3	2,310	3.4	1,826
Cash and other	1.7	2,394	1.7	2,531
Assets held in respect of insured pensioners	3.3	4,610	4.4	4,030
Total market value of assets		18,285		16,431

Notes to the financial statements (continued)

at 31 March 2015

27. Pensions (continued)

Graham Asset Management Limited Pension and Life Assurance Scheme

	Long term rate of expected return 2015 (% p.a.)	*Value 2015 £000*	*Long term rate of expected return 2014 (% p.a.)*	*Value 2014 £000*
Equities	6.7	800	4.7	786
Gilts	2.3	282	2.7	201
Cash and other	2.3	224	2.7	129
Total market value of assets		1,306		1,116

(c) Analysis of the amount charged to operating profit

Group	*2015 £000*	*2014 £000*
Current service cost	56	36

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

Group	*2015 £000*	*2014 £000*
Expected return on pension scheme assets	894	770
Interest on pension scheme liability	(752)	(744)
Net income	142	26

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

The actual return on scheme assets for the year ended 31 March 2015 was £2,240k (2014 – £731k).

Notes to the financial statements (continued)

at 31 March 2015

27. Pensions (continued)

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

Group	*2015* *£000*	*2014* *£000*
Actual return less expected return on pension scheme assets	1,346	(39)
Experience gains and losses arising on the scheme liability	(2,673)	190
Restriction on recognisable gains in GAM scheme	–	(118)
Changes in assumptions underlying the present value of the scheme liability	–	544
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(1,327)	577

(f) Reconciliation to balance sheet

Group	*2015* *£000*	*2014* *£000*
Total market value of non-insured asset	14,981	13,517
Assets held in respect of insured pensioners	4,610	4,030
Total market value of assets	19,591	17,547
Present value of non-insured scheme liabilities	15,648	13,326
Liability in respect of insured pensioners	4,610	4,030
Present value of scheme liabilities	20,258	17,356
(Deficit)/surplus in schemes before deficit restriction	(667)	191
Restriction on recognisable surplus in GAM scheme	–	(118)
Revised (deficit)/surplus in schemes	(667)	73
Related deferred tax (liability)/asset	133	(15)
Net pension (liability)/asset	(534)	58

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 2015

27. Pensions (continued)

(g) Analysis of movement in deficit during the year

Group	*2015* *£000*	*2014* *£000*
Liability in scheme at beginning of the year	74	(876)
Current service cost	(56)	(36)
Contributions	382	382
Net interest received	142	26
Release of surplus in the year	118	–
Actuarial (loss)/gain	(1,327)	577
(Deficit)/surplus in scheme at end of the year	(667)	73

Contributions to the Graham Asset Management Limited Pension and Life Assurance Scheme are payable at the rate of 38.4% of pensionable salaries. This amounted to £56k during year ended 31 March 2015 (2014 – £54k). Regular employer contributions during year ended 31 March 2015 are estimated to be £53k.

Contributions to the John Graham (Dromore) Limited Pension and Life Assurance Scheme were £27k per month. Regular employer contributions during year ended 31 March 2015 are estimated to be £329k.

(h) History of experience gains and losses

Group	*2015* *£000*	*2014* *£000*	*2013* *£000*	*2012* *£000*	*2011* *£000*
Fair value of scheme asset	19,591	17,547	17,113	15,791	14,725
Defined benefit obligation	(20,258)	(17,356)	(17,989)	(16,808)	(15,054)
(Deficit)/surplus in scheme	(667)	191	(876)	(1,017)	(329)
Experience gain/(losses) on scheme assets	1,345	(39)	785	249	(195)
Experience gain/(losses) on scheme liabilities	–	272	386	(16)	696

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

Notes to the financial statements (continued)

at 31 March 2015

27. 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 £289k to these schemes during the year and there were £87k of contributions outstanding at the year end.

28. Other financial commitments

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	Property 2015 £000	*Office equipment 2015 £000*	*Motor vehicles 2015 £000*	*Property 2014 £000*	*Office equipment 2014 £000*	*Motor vehicles 2014 £000*
Operating leases which expire:						
Within one year	42	–	–	28	45	–
In two to five years	116	11	53	389	261	305
Over five years	98	423	289	108	–	–
	256	434	342	525	306	305

29. 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 2015

30. 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 £81k (2014 – £200k). Amounts due from the Joint Ventures at the year end were £1,417k (2014 – £1,355k).

31. Ultimate parent undertaking and controlling party

There is no ultimate controlling party of the Company.