John Graham Holdings Limited

Report and Financial Statements

31 March 2016

Directors
Michael E J Graham
Alan K Bill
Andrew K Bill
Colin J Graham
Robin N Graham
David S Watters
Courtney P McCormick

Auditors
Ernst &Young LLP
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Danske Bank
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REGISTERED No. NI 057921

Strategic Report

The directors present their Strategic Report for the year ended 31 March 2016.

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, fit-out, 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.

	2016	*2015*
	£000	*£000*
Group turnover and share of joint venture turnover	507,891	491,112
Profit on ordinary activities before taxation	17,168	6,946
Net Profit Margin	3.4%	1.4%
Cash at bank and in hand	45,726	31,944

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
30th June 2016

REGISTERED No. NI 057921

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2016.

Results and dividends

The group profit for the year after taxation amounted to £14,794k (2015 – profit of £5,514k). The directors do not recommend a final dividend (2015 – £nil). Retained profits carried forward are £45.4m (2015 – profits of £40.7m). During the year dividends of £9m were proposed and paid (2015 – £1.45m).

Future developments

Overall our Group businesses continue to deliver robust performances in a market that shows strong signs of growth with investment in infrastructure a key focus area for both the public and private sector. Our four main business units 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.

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, investment in new technology 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.

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

Directors' Report (continued)

Going Concern (continued)

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

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

Michael E J Graham
Alan K Bill
Andrew K Bill
Courtney P McCormick
Colin J Graham
Robin N Graham
David S Watters

Political and charitable contributions

During the year the Group 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 disabled person. Special attention is given to training, health and safety and the employment of disabled persons including where existing employees become disabled.

Directors' Report (continued)

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

Disclosure of information to the auditors (continued)

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

Courtney McCormick
30th June 2016

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 2016 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 and Company Statements of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 34. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify any 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 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; 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.

Michael Kidd (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
1st July 2016

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 2016

		Notes	2016 £000	2015 £000
Turnover				
Group and share of joint venture's turnover			507,891	491,112
Less: share of turnover of joint ventures			–	–
			507,891	491,112
Cost of sales			(470,393)	(457,012)
Gross Profit			37,498	34,100
Administrative expenses			(29,263)	(27,379)
Other operating income		3(b)	8,691	150
Group operating Profit		3(a)	16,926	6,871
Share of operating loss in joint ventures			(1)	(1)
Profit on ordinary activities before finance charges			16,925	6,870
Interest receivable and similar income	– group	8	793	1,491
	– joint ventures		–	–
			793	1,491
Interest payable and similar charges	– group	7	(506)	(1,375)
	– joint ventures		(44)	(40)
			(550)	(1,415)
Profit on ordinary activities before taxation			17,168	6,946
Taxation		9	(2,374)	(1,432)
Profit for the financial year		26	14,794	5,514

Group Statement of total recognised gains and losses

for the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Profit for the financial year excluding share of joint ventures		14,839	5,555
Share of joint ventures' Loss for the year		(45)	(41)
Profit for the financial year		14,794	5,514
Net actuarial Loss recognised in respect of pension scheme	28d	(20)	(1,156)
Release of pension surplus		–	118
Deferred tax (charge)/credit on net actuarial Loss		(36)	206
Currency adjustments on retranslation of foreign subsidiaries		107	(121)
Disposal of investments		(1,479)	–
Total recognised gains relating to the year		13,366	4,561

Group Note of historical cost profit and loss

for the year ended 31 March 2016

	2016 £000	2015 £000
Reported profit on ordinary activities before taxation	17,168	6,946
Historical profit on ordinary activities before taxation	17,168	6,946
Historical cost profit retained for the year after taxation	14,794	5,514

Group Balance Sheet

at 31 March 2016

		Notes	2016 £000	2015 £000
Fixed assets				
Intangible assets		12	1,978	3,708
Tangible fixed assets		13	17,417	18,858
Investment properties		13	1,100	1,823
Investments – joint ventures:	share of gross assets	14	643	643
	share of gross liabilities	14	(935)	(889)
			(292)	(246)
Loan to joint venture		14	1,509	1,417
Investments – other		14	–	3
			21,712	25,563
Current assets				
Stocks		15	1,557	2,288
Debtors: amounts receivable in less than one year		16	126,760	127,759
Debtors: amounts receivable in more than one year		16	780	17,546
			129,097	147,593
Investments		17	8	8
Cash at bank and in hand		18	45,726	31,944
			174,831	179,545
Creditors: amounts falling due within one year		19	(139,571)	(137,747)
Net current assets			35,260	41,798
Total assets less current liabilities			56,972	67,361
Creditors: amounts falling due after more than one year		20	(7,615)	(21,605)
Deferred income		24	(864)	(930)
Provisions for liabilities		23	(1,675)	(3,813)
Net assets excluding pension liability			46,818	41,013
Pensions		28	(393)	(666)
Net assets including pension liability			46,425	40,347
Capital and reserves				
Called up share capital		25	55	55
Revaluation reserve		26	925	1,275
Capital redemption reserve		26	45	45
Hedging reserve			–	(1,712)
Profit and loss account		26	45,400	40,684
Shareholders' funds		26	46,425	40,347

The financial statements were approved and authorised for issue by the board of directors and were signed on their behalf on the 30th June 2016.

Michael Graham

Company Balance Sheet

at 31 March 2016

	Notes	*2016* *£000*	*2015* *£000*
Fixed assets			
Investments	14	44,184	44,184
Current assets			
Debtors	16	110	110
Cash at bank and in hand		87	17
		197	127
Creditors: amounts falling due within one year		(11)	–
Net assets		44,370	44,311
Capital and reserves			
Called up share capital	25	55	55
Merger reserve	26	35,945	35,945
Profit and loss account	26	8,370	8,311
Shareholders' funds	26	44,370	44,311

The financial statements were approved and authorised for issue by the board of directors and were signed on their behalf on the 30th June 2016.

Courtney McCormick

Group Statement of Changes in Equity

for the year ended 31 March 2016

	Called up Share Capital £000	Revaluation Reserve £000	Hedging Reserve £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total Equity £000
At 1 April 2015	55	1,275	(1,712)	45	40,684	40,347
Comprehensive income for the year						
Profit for the year	–	–	–	–	14,794	14,794
Disposal	–	–	1,751	–	(1,482)	269
Fair value movement in derivative	–	–	(39)	–	–	(39)
Net actuarial loss	–	–	–	–	(17)	(17)
Deferred tax on actuarial loss	–	–	–	–	(35)	(35)
Retranslation of foreign subsidiary	–	–	–	–	106	106
Total comprehensive income for the year	55	1,275	–	45	54,050	55,425
Realisation of revaluation reserve	–	(350)	–	–	350	–
Transactions with owners						
Dividends Paid	–	–	–	–	(9,000)	(9,000)
At 31 March 2016	55	925	–	45	45,400	46,425

Group Statement of Changes in Equity

for the year ended 31 March 2015

	Called up Share Capital £000	Revaluation Reserve £000	Hedging Reserve £000	Capital Redemption Reserve £000	Profit and Loss Account £000	Total Equity £000
At 1 April 2014	55	1,472	(1,751)	45	37,376	37,197
Comprehensive income for the year						
Profit for the year	–	–	–	–	5,514	5,514
Fair value movement in derivative	–	–	39	–	–	39
Net actuarial loss	–	–	–	–	(1,154)	(1,154)
Deferred tax on actuarial loss	–	–	–	–	205	205
Release of pension surplus	–	–	–	–	118	118
Retranslation of foreign subsidiary	–	–	–	–	(122)	(122)
Total comprehensive income for the year	55	1,472	(1,712)	45	41,937	41,797
Realisation of revaluation reserve	–	(197)	–	–	197	–
Transactions with owners						
Dividends Paid	–	–	–	–	(1,450)	(1,450)
At 31 March 2015	55	1,275	(1,712)	45	40,684	40,347

Company Statement of Changes in Equity

for the year ended 31 March 2016

	Called up Share Capital	*Merger Reserve*	*Profit and Loss Account*	*Total Equity*
	£000	*£000*	*£000*	*£000*
At 1 April 2015	55	35,945	8,311	44,311
Comprehensive income for the year				
Profit for the year	–	–	9,059	9,059
Other comprehensive income for the year	55	35,945	17,370	53,370
Transactions with owners				
Dividends Paid	–	–	(9,000)	(9,000)
At 31 March 2016	55	35,945	8,370	44,370

Company Statement of Changes in Equity

for the year ended 31 March 2015

	Called up Share Capital £000	Merger Reserve £000	Profit and Loss Account £000	Total Equity £000
At 1 April 2014	55	35,945	8,369	44,369
Comprehensive income for the year				
Profit for the year	–	–	1,392	1,392
Other comprehensive income for the year	55	35,945	9,761	45,761
Transactions with owners				
Dividends Paid	–	–	(1,450)	(1,450)
At 31 March 2015	55	35,945	8,311	44,311

Group Statement of Cash Flows

for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Net cash inflow from operating activities	27(a)	14,346	19,125
Investing activities			
Interest received – excluding loan notes		531	1,040
Interest received – loan notes		491	–
		1,022	1,040
Receipts from disposal		243	703
Movements on loans and loan notes receivables		541	–
Payments to acquire tangible and intangible fixed assets		(1,638)	(1,410)
Cash received from disposal of subsidiary		11,623	–
Cash received from disposal of Investment		2,389	–
Net cash disposed of with subsidiary undertaking		(3,623)	–
		10,557	333
Financing activities			
Interest element of finance lease payments		(119)	(74)
Interest paid		(356)	(1,141)
		(475)	(1,215)
Equity dividends paid		(9,000)	(1,450)
Net movement on loans		(825)	(1,801)
Capital element of hire purchase rental		(899)	(545)
Net cash flow from financing activities		(11,199)	(5,011)
Net cash from operating activities and before use of liquid resources		13,704	14,447
Effect of exchange rates on cash and cash equivalents		78	(26)
Cash and Cash equivalents at 01 April 2015		31,944	17,523
Cash and Cash equivalents at 31 March 2016		45,726	31,944

Notes to the financial statements

at 31 March 2016

1. Accounting policies

Statement of Compliance

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the period ended 31 March 2016.
The company transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 33.

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with applicable accounting standards. The principal accounting policies are set out below.

Group financial statements

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2016. 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Revaluation of properties

The directors have used their experience of the property market in estimating the values of the properties to levels that they would deem appropriate in the current market.

Notes to the financial statements (continued)

at 31 March 2016

1. Accounting policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Operating lease commitments

The company has entered into leases as lessees for property, plant and equipment. The classification of such leases as operating or finance requires the company to determine, based on evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset or liability to be recognised in the statement of financial position.

Performance of Long term contracts

Recognised amounts of construction contract revenues and related receivables reflect the directors' best estimates of long term contracts outcome and stage of completion. This includes the assessment of the profitability of the long term contracts. Costs to complete and contract profitability are subject to significant estimation uncertainty.

Defined benefit Pension Scheme Valuation

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 28.

Lifecycle costs

PFI lifecycle costs are estimated to take place as planned and at the values included in the operator's financial model as adjusted for indexation.

Notes to the financial statements (continued)

at 31 March 2016

1. Accounting policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Intangible Assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible fixed assets (including purchased goodwill) are amortised at rates calculated to write off the assets on a straight basis over their estimated useful economic lives.

The rate at present in use is as follows:

Purchased goodwill	20% straight line
Computer Software	33.3% straight line

Tangible fixed assets

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, less estimated residual value over their estimated useful lives. The rates at present in use are as follows:

Leasehold improvements	–	over the period of the lease
Buildings	–	10-25 years
Plant and machinery	–	10% to 33⅓% straight-line
Office equipment and computer equipment	–	10% to 33⅓% straight-line

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.

Notes to the financial statements (continued)

at 31 March 2016

1. Accounting policies (continued)

Investment Properties

Investment property is measured initially at cost, which includes purchase price and any directly attributable expenditure. Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in the profit and loss.

If a reliable measure of fair value is not available without undue cost or effort it shall be transferred to tangible assets and accounted for under the cost model until it is expected that fair value will be reliably measurable on an on-going basis.

Investments

Equity investments are recognised initially at fair value which is normally the transaction price.

Subsequently, they are measured at fair value through profit or loss.

Turnover

Turnover is the amount derived from 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. Revenue also represents the value of services performed in operating PFI contracts during the year, exclusive of VAT.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes to the financial statements (continued)

at 31 March 2016

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 assets and liabilities of the foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average rates of exchange during the period. The exchange difference arising on the retranslation of opening net assets are reported in the other comprehensive income.

Notes to the financial statements (continued)

at 31 March 2016

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 leases

Operating lease rentals are charged to the Profit and Loss account in equal annual amounts over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

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.

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 plan is determined 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.

Notes to the financial statements (continued)

at 31 March 2016

1. Accounting policies (continued)

Pensions (continued)

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.

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

Jointly controlled operations

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 2016

1. Accounting policies (continued)

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date. When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill

Positive Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed five years.

Negative goodwill arising on acquisitions is recognised on the balance sheet and amortised on a straight-line basis over its useful economic life up of 20 years.

Provisions for liabilities

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in the profit and loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in finance costs in the profit and loss in the period it arises.

Notes to the financial statements (continued)

at 31 March 2016

1. Accounting policies (continued)

Provisions for liabilities (continued)

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.

Financial Instruments

The Group enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to related parties.

The group uses an interest rate swap to adjust interest rate exposures. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves. Due to the disposals that occurred during the year this resulted in removal of the financial instrument at March 2016.

Dividends

Final dividends are recorded in the period which shareholders' approval is obtained. Interim dividends are recorded in the period in which they are paid.

Depreciation

The company accounts for depreciation in accordance with FRS102. The depreciation expense is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the periods in which the asset will be used. Judgments are made on the estimated useful life of the assets which are regularly reviewed to reflect the changing environment.

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 2016

1. Accounting policies (continued)

Finance Costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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 2016 amounted to £1.5m (2015 – £1.7m).

Notes to the financial statements (continued)

at 31 March 2016

3. Group operating profit

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

	2016	*2015*
	£000	*£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	103	66
– Audit related assurance services	4	4
– Taxation compliance services	4	4
Fees in respect of the Graham Asset Management Limited pension scheme:		
– Audit	4	4
Exceptional property revaluation	723	
Exceptional property impairment	2,218	–
Depreciation of owned fixed assets	2,017	2,330
Depreciation of assets held under finance leases and hire purchase contracts	609	432
	2,626	2,762
Operating leases – land and buildings	495	484
Other operating leases	707	713
Rental income, net of outgoings	(26)	(26)
Amortisation of intangible assets	391	509
Other operating income (note 3(b))	8,691	150
Profit on sale of fixed assets	(126)	(262)

Notes to the financial statements (continued)

at 31 March 2016

3. Group operating profit (continued)

(b) Other operating income

	2016	*2015*
	£000	*£000*
Profit on sale of investments (note 6)	8,434	–
Other	257	150
	8,691	150

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.

4. Directors' remuneration

	2016	*2015*
	£000	*£000*
Remuneration	1,177	1,190
Company contributions to money purchase pension scheme	46	102
Amounts paid to third parties for services as directors	43	42
	1,266	1,334

The number of directors who:	*No.*	*No.*
Are members of defined benefit pension scheme	5	5
Are members of a defined contribution scheme	6	7

	2016	*2015*
	£000	*£000*
Amounts attributable to the highest paid director:		
Remuneration for service as executive	309	313
Company contributions to money purchase pension scheme	–	61
Accrued annual pension	–	–

Notes to the financial statements (continued)

at 31 March 2016

5. Staff costs

	2016	*2015*
	£000	*£000*
Wages and salaries	61,722	53,693
Social security costs	6,202	5,481
Pension contribution	5,245	4,424
	73,169	63,598

The average monthly number of persons employed by the Group (including directors) during the year was 1,761 (2015 – 1,645).

6. Profit on sale of investments

The group completed the sale of a number of investments during the year as follows:

	2016
	£000
Cash received	14,062
Outstanding loan notes	(3,137)
Investment in shares	(3)
Net assets	(934)
Stamp duty paid	(50)
Goodwill on investments	(1,504)
	8,434

The following table shows the amounts relating to operations discontinued in the year:

	2016
	£000
Turnover	1,166
Operating profit	373
Profit on ordinary activities before taxation	268
Profit for the financial year	214

Notes to the financial statements (continued)

at 31 March 2016

7. Interest payable and similar charges

	2016	*2015*
	£000	*£000*
Bank loans and overdrafts	360	1,283
Finance charge under finance leases and hire purchase contacts	119	92
Interest on pension scheme	27	–
	506	1,375

8. Interest receivable and similar income

	2016	*2015*
	£000	*£000*
Bank interest	265	263
Other Interest	518	1,213
	783	1,476
Expected return on pension scheme assets (note 28)	43	52
Interest on pension scheme liability (note 28)	(33)	(37)
Net interest receivable (note 28)	10	15
	793	1,491

Notes to the financial statements (continued)

at 31 March 2016

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2016	*2015*
	£000	*£000*
Current tax:		
UK corporation tax on profit for the year	2,207	1,414
Adjustments in respect of previous years	(143)	(525)
ROI adjustments in respect of prior years	4	4
Foreign (Republic of Ireland) tax on profit of the current year	34	144
Total current tax	2,102	1,037
Deferred tax:		
Origination and reversal of timing differences	170	(15)
Effect of rate changes	(13)	(38)
Adjustment in respect of previous years	115	448
Total deferred tax	272	395
Share of associates and joint venture tax	–	–
Tax on profit on ordinary activities (note 9(b))	2,374	1,432

Notes to the financial statements (continued)

at 31 March 2016

9. 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 20% (2015 – 21%). The differences are explained below:

	2016	*2015*
	£000	*£000*
Profit on ordinary activities before tax	17,168	6,945
Add back/(deduct) share of joint ventures Loss before tax	47	40
Group Profit on ordinary activities before tax	17,215	6,985
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 21%)	3,443	1,467
Effects of:		
Expenses not deductible net of income not chargeable for tax purposes	655	95
Income not taxable	(1,944)	–
Goodwill amortisation	300	28
Timing differences not recognised	(1)	(1)
Lower rates on overseas earnings	(4)	(6)
Impact of rate changes	(51)	(84)
ROI adjustments in respect of prior years	4	4
Adjustments in respect of previous periods	(28)	(71)
Total tax for the year (note 9(a))	2,374	1,432

Notes to the financial statements (continued)

at 31 March 2016

9. Tax (continued)

(c) Deferred tax

	2016	*2015*
	£000	*£000*
Decelerated capital allowances	(47)	(78)
Deferred tax arising in relation to retirement benefit obligations	(71)	(134)
Tax losses available	(102)	(606)
Other timing differences	(10)	(174)
Shown in debtors (note 16)	(230)	(992)

Group	*£000*
At 1 April 2015	(992)
Transfer on sale	400
Charged to Income statement	272
Charged to OCI- other timing differences	90
At 31 March 2016	(230)

(d) Factors that may affect future tax charges

The Finance Act 2015 has provided that from 1 April 2017 taxable profits will be taxed at the rate of 19% and from 1 April 2020 will be taxed at 18%. The above rate changes will reduce the future tax liabilities of John Graham Holdings Limited.

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

Notes to the financial statements (continued)

at 31 March 2016

10. Profit attributable to members of parent undertaking

The Parent undertaking's Profit after tax for the financial year amounted to £9,059k (2015 – profit of £1,392k).

11. Dividends

	2016	*2015*
	£000	*£000*
Equity dividends on ordinary shares:		
1st interim dividend for 2016 – £10.91 per share (2015 – £8.18 per share)	570	427
2nd interim dividend for 2016 – £10.91 per share (2015 – £4.54 per share)	570	237
3rd interim dividend for 2016 – £14.55 per share (2015 – £4.54 per share)	760	237
Final dividend for 2016 – £127.27 per share (2015 – £9.09 per share)	6,650	475
Equity dividends on 'A' ordinary shares:		
1st interim dividend for 2016 – £0.55 per share (2015 – £0.41 per share)	30	23
2nd interim dividend for 2016 – £0.55 per share (2015 – £0.23 per share)	30	13
3rd interim dividend for 2016 – £0.73 per share (2015 – £0.23 per share)	40	13
Final dividend for 2016 – £6.36 per share (2015 – £0.45 per share)	350	25
	9,000	1,450

Notes to the financial statements (continued)

at 31 March 2016

12. Intangible fixed assets

Group	*Computer Software £000*	*Purchased goodwill £000*	*Goodwill on consolidation £000*	*Total £000*
Cost:				
At 1 April 2015	3,115	85	(100)	3,100
Additions	160	–	–	160
Disposals	–	–		
At 31 March 2016	3,275	85	(100)	3,260
Depreciation:				
At 1 April 2015	911	30	(45)	896
Charge for the year	374	17	(5)	396
At 31 March 2016	1,285	47	(50)	1,282
Net book value:				
At 31 March 2016	1,990	38	(50)	1,978
At 1 April 2015	2,204	55	1,449	3,708

13. Tangible fixed assets

Group	*Land and buildings £000*	*Plant and machinery £000*	*Office equipment and I.T. Equipment £000*	*Total £000*
Cost:				
At 1 April 2015	17,279	15,785	3,933	36,997
Additions	–	3,048	471	3,519
Disposals	–	(1,087)	(155)	(1,242)
At 31 March 2016	17,279	17,746	4,249	39,274
Depreciation:				
At 1 April 2015	3,835	11,472	2,831	18,138
Charge for the year	291	1,755	580	2,626
Impairment	2,218	–	–	2,218
Disposals	–	(1,021)	(104)	(1,125)
At 31 March 2016	6,344	12,206	3,307	21,857
Net book value:				
At 31 March 2016	10,935	5,540	942	17,417
At 1 April 2015	13,444	4,312	1,102	18,858

Included within land and buildings is £143k (2015 – £143k) of capitalised interest. The net book value of fixed assets includes £3.5m (2015 – £1.9m) in respect of assets held under hire purchase contracts.

Notes to the financial statements (continued)

at 31 March 2016

13. Tangible fixed assets (continued)

Investment properties

Group	*£000*
Valuation:	
At 1 April 2015	1,823
Impairment	(723)
At 31 March 2016	1,100

14. Investments

Group	*2016* *£000*	*2015* *£000*
Joint ventures (a)	(292)	(246)
Loans to joint ventures (a)	1,509	1,417
Other investments (c)	–	3

Company	*2016* *£000*	*2015* *£000*
Subsidiaries (b)	44,184	44,184

(a) Group

Joint Ventures

	£000
At 1 April 2015	(246)
Share of Loss retained by joint venture	(46)
At 31 March 2016	(292)

Notes to the financial statements (continued)

at 31 March 2016

14. Investments (continued)

	2016	*2015*
	£000	*£000*
Share of assets:		
Fixed assets	–	–
Current assets	643	643
	643	643
Share of liabilities:		
Liabilities due within one year	(935)	(889)
	(935)	(889)
	(292)	(246)

Loans to joint ventures

	£000
At 1 April 2015	1,417
Additions	92
At 31 March 2016	1,509

(b) Company

	£000
Shares in subsidiaries – cost and net book value:	
At 1 April 2015 and 31 March 2016	44,184

(c) Group

	£000
Shares in other investments at cost:	
At 1 April 2015	3
Disposals	(3)
At 31 March 2016	–

Notes to the financial statements (continued)

at 31 March 2016

14. 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 (Mossvale) Limited[1]	Property development	Northern Ireland
JGD (The Mount) 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 Holdings[2] (Belfast) Limited	Parent undertaking non-trading	Northern Ireland
Graham Asset Management (Ireland) Limited[5]	Facilities management services	Republic of Ireland
GIP One Limited[6]	Management of PFI investments	Northern Ireland
GIP Management Services Limited[3]	Management of PFI investments	Northern Ireland
GGF Developments Limited[3]	Non-trading	Northern Ireland
Northwin Developments (Belfast) Limited[4]	Property development	Northern Ireland
Northwin (Balmoral and Wellington) Limited[6]	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 Holdings (Belfast) Limited*
[5] *held by Graham Asset Management Limited*
[6] *held by Graham Investment Projects Limited*

Notes to the financial statements (continued)

at 31 March 2016

14. 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.

15. Stocks

Group

	2016 *£000*	*2015* *£000*
Raw materials and consumables	392	548
Development land stock	1,165	1,740
	1,557	2,288

Notes to the financial statements (continued)

at 31 March 2016

16. Debtors

	Group		Company	
	2016	*2015*	*2016*	*2015*
	£000	*£000*	*£000*	*£000*
Amounts receivable in less than one year:				
PFI debtor	–	1,008	–	–
Trade debtors	39,315	43,316	–	–
Amounts owed by group undertakings	–	–	110	110
Amounts recoverable on long term contracts	70,692	69,517	–	–
Other debtors	56	15	–	–
Corporation tax recoverable	15	–	–	–
Deferred tax	230	992	–	–
VAT	250	58	–	–
Prepayments and accrued income	15,994	12,454	–	–
Loans and loan notes*	208	399	–	–
	126,760	127,759	110	110
Amounts receivable in more than one year:				
PFI debtor	–	14,627	–	–
Loans and loan notes*	780	2,919	–	–
	780	17,546	–	–

* Loans and loan notes have been issued to investments classified within investments in subsidiary undertakings in note 14.

Notes to the financial statements (continued)

at 31 March 2016

17. Current asset investments

Group

	2016	*2015*
	£000	*£000*
Listed investments:		
Cost at start and end of year	8	8
	8	8

The market value of listed investments as at 31 March 2016 was £8k (2015 – £8k). Other investments represent short-term deposits recognised as current asset investments.

18. Cash at bank and in hand

A balance of £45,726K (2015- £31,944k) is included within cash at bank and in hand.

Within this is a balance of £1,889k (2015 – £3,872k) 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 £1,400k (2015 – £1,908k) 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.

19. Creditors: amounts falling due within one year

		Group		*Company*
	2016	*2015*	*2016*	*2015*
	£000	*£000*	*£000*	*£000*
Bank loans (note 21)	525	1,468	–	–
Trade creditors and accruals	122,485	121,863	–	–
Corporation tax	780	579	11	–
VAT	2,915	6,920	–	–
Other creditors	3,516	812	–	–
Deferred Taxation	–	–	–	–
Payments on account	8,300	5,453	–	–
Hire purchase and finance lease creditors (note 22)	1,050	652	–	–
	139,571	137,747	11	–

Notes to the financial statements (continued)

at 31 March 2016

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

	2016	*2015*
	£000	*£000*
Obligations under hire purchase contracts (note 22)	1,648	900
Financial Instruments	–	2,286
Bank loans and overdrafts (note 21)	5,967	18,419
	7,615	21,605

21. Loans

Group	*2016*	*2015*
	£000	*£000*
Amounts payable:		
Within one year or on demand	525	1,468
In one to two years	517	1,731
In two to five years	1,205	5,459
Over five years	4,245	11,229
	6,492	19,887
Less: amounts due within one year or on demand	(525)	(1,468)
	5,967	18,419

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 2016

21. 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 £Nil (2015 – £8,776,286) 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 £Nil (2015 – £4,142,753) is secured by fixed and floating charges over the assets of the Northwin Limited (without recourse to the rest of the Group).

On the 30th of June 2015 Graham Investment Projects Limited's investment in Northwin Limited and Northwin (Belfast) Limited were sold, thus having an impact on the comparative for 2016.

22. Obligations under finance leases and hire purchase contracts

Group	*2016*	*2015*
	£000	*£000*
Analysis of obligations under hire purchase contracts:		
Within one year	1,050	652
In one to two years	806	562
In two to five years	842	338
	2,698	1,552

Notes to the financial statements (continued)

at 31 March 2016

23. Provisions for liabilities

Group	*Lifecycle provision £000*	*Lease provision £000*	*Total £000*
At 1 April 2015	3,793	20	3,813
Provision disposed on sale of subsidaries	(2,338)	–	(2,338)
Increase in provision	364	–	364
Utilisation	(144)	(20)	(164)
At 31 March 2016	1,675	–	1,675

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 company had lease commitments on certain properties which were not being used by the company and did not provide an economic benefit to them. The company's remaining exposure on these leases had been fully provided for on a discounted basis. This has been released in the year as the lease for the remaining property expired in November 2015.

24. Accruals and deferred income

Group	*£000*
At 1 April 2015	930
Release to profit and loss	(66)
At 31 March 2016	864

25. Issued share capital

Allotted, called up and fully paid	*No.*	*2016 £000*	*No.*	*2015 £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 2016

26. Reconciliation of shareholders' funds and movements on reserves

Group	*Share capital £000*	*Revaluation reserve £000*	*Hedging reserve £000*	*Capital redemption reserve £000*	*Profit and loss account £000*	*Total £000*
At 1 April 2014	55	1,472	(1,751)	45	37,376	37,197
Profit for the year	–	–	–	–	5,514	5,514
Realisation of revaluation reserve	–	(197)	–	–	197	–
Fair value movement in derivative (net of deferred tax)	–	–	39	–	–	39
Dividends paid	–	–	–	–	(1,450)	(1,450)
Net actuarial loss	–	–	–	–	(1,154)	(1,154)
Deferred tax on actuarial loss	–	–	–	–	205	205
Release of pension surplus	–	–	–	–	118	118
Retranslation of foreign subsidiary	–	–	–	–	(122)	(122)
At 1 April 2015	55	1,275	(1,712)	45	40,684	40,347
Profit for the year	–	–	–	–	14,794	14,794
Realisation of revaluation reserve	–	(350)	–	–	350	–
Disposal	–	–	1,751	–	(1,482)	269
Fair value movement in derivative (net of deferred tax)	–	–	(39)	–	–	(39)
Dividends paid	–	–	–	–	(9,000)	(9,000)
Net actuarial loss	–	–	–	–	(17)	(17)
Deferred tax on actuarial loss	–	–	–	–	(35)	(35)
Retranslation of foreign subsidiary	–	–	–	–	106	106
At 31 March 2016	55	925	–	45	45,400	46,425

Notes to the financial statements (continued)

at 31 March 2016

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

Company	*Share capital £000*	*Merger reserve £000*	*Profit and loss account £000*	*Total £000*
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 1 April 2015	55	35,945	8,311	44,311
Profit for the year	–	–	9,059	9,059
Dividends paid	–	–	(9,000)	(9,000)
At 31 March 2016	55	35,945	8,370	44,370

27. Notes to the statement of cash flows

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

	2016 £000	*2015 £000*
Operating profit	16,926	6,871
Depreciation	2,626	2,762
Other non-cash movements	–	98
Profit on sale of fixed assets	(126)	(262)
Profit on disposal of subsidiaries	(7,593)	–
Profit on disposal of investments	(840)	–
Impairment of fixed assets	2,941	–
Write down of stock	505	–
Amortisation of intangible assets	391	509
Decrease in stock	226	87
Increase in debtors	(1,066)	(23,468)
Increase in creditors	2,462	32,686
Deferred income released	(66)	(67)
Movement in provisions	200	122
Difference between pension charge and cash contributions	(338)	(286)
Net cash inflow from operating activities	16,248	19,052
Taxation paid	(1,902)	73
Total	14,346	19,125

Notes to the financial statements (continued)

at 31 March 2016

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

(b) Analysis of net funds

	At 1 April 2015	*Cash flow*	*Other non-cash changes*	*Exchange movement*	*At 31 March 2016*
	£000	*£000*	*£000*	*£000*	*£000*
Cash at bank and in hand	31,944	13,704	–	84	45,732
Hire purchase agreements	(1,552)	899	(2,043)	–	(2,696)
Short-term loans	(1,468)	825	118	–	(525)
Long-term loans	(18,419)	–	12,511	(60)	(5,968)
Current asset investments	13	–	(3)	–	10
	10,518	15,428	10,583	24	36,553

28. 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 102 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 102 in order to assess the liabilities of the scheme at 31 March 2016 and 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 2016. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the schemes for FRS 102 purposes were:

Notes to the financial statements (continued)

at 31 March 2016

28. Pensions (continued)

(a) Financial assumptions

John Graham (Dromore) Limited Pension and Life Assurance Scheme

		2016 *(% p.a.)*	*2015* *(% p.a.)*
RPI Inflation		3.0	3.0
CPI Inflation		2.0	2.0
Rate of increase of pensions in payment:	prior to 6 April 1997	3.0	3.0
	after 5 April 1997	3.5	3.5
Discount rate for scheme liabilities		3.5	3.3

The valuation under FRS 17 at 31 March 2016 shows a net pension deficit (before deferred tax) of £691k (2015 – deficit of £954k).

Graham Asset Management Limited Pension and Life Assurance Scheme

	2016 *(% p.a.)*	*2015* *(% p.a.)*
Rate of increase in salaries	4.0	4.0
Retail price inflation (RPI) assumption	3.0	3.0
Consumer price index (CPI) assumption	2.0	2.0
Rate of increase of pensions in payment	2.95	2.95
Discount rate for scheme liabilities	3.5	3.3

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 years if they are male and for a further 24.3 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 23.7 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 2016 shows a net pension surplus (before deferred tax) of £297k (2015 – surplus of £286k).

Notes to the financial statements (continued)

at 31 March 2016

28. Pensions (continued)

(b) Analysis of the amount charged to operating profit

Group	*2016*	*2015*
	£000	*£000*
Current service cost	44	56

(c) Analysis of the amounts recognised in the Profit and Loss account

Group	*2016*	*2015*
	£000	*£000*
Administration costs	27	43
Net interest cost/(credit) on pension scheme liability	17	(15)
Total cost recognised in the profit and loss	44	28

(d) Analysis of the amount recognised in the Statement of comprehensive income

Group	*2016*	*2015*
	£000	*£000*
Actual return less expected return on pension scheme assets	(784)	1,517
Experience gains and losses arising on the scheme liability	10	–
Changes in assumptions underlying the present value of the scheme liability	754	(2,673)
Actuarial loss recognised in the statement of total recognised gains and losses	(20)	(1,156)

Notes to the financial statements (continued)

at 31 March 2016

28. Pensions (continued)

(e) Reconciliation to balance sheet

Group	*2016*	*2015*
	£000	*£000*
Total market value of non-insured asset	15,046	14,981
Assets held in respect of insured pensioners	4,270	4,610
Total market value of assets	19,316	19,591
Present value of non-insured scheme liabilities	15,439	15,647
Liability in respect of insured pensioners	4,270	4,610
Present value of scheme liabilities	19,709	20,257
Deficit in schemes before deficit restriction	(393)	(666)
Related deferred tax liability	(53)	(57)
Net pension liability	(446)	(734)

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.

(f) Analysis of movement in deficit during the year

Group	*2016*	*2015*
	£000	*£000*
Liability in scheme at beginning of the year	(666)	75
Current service cost	(44)	(56)
Contributions	381	382
Net interest received	(44)	(29)
Release of surplus in the year	–	118
Actuarial loss	(20)	(1,155)
Deficit in scheme at end of the year	(393)	(666)

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 £54k during year ended 31 March 2016 (2015 – £56k). Regular employer contributions during year ended 31 March 2016 are estimated to be £54k.

Contributions to the John Graham (Dromore) Limited Pension and Life Assurance Scheme were £27k per month. Regular employer contributions during year ended 31 March 2016 are estimated to be £328k.

Notes to the financial statements (continued)

at 31 March 2016

28. Pensions (continued)

(g) History of experience gains and losses

Group	*2016*	*2015*	*2014*	*2013*	*2012*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of scheme asset	19,316	19,591	17,547	17,113	15,791
Defined benefit obligation	(19,709)	(20,257)	(17,356)	(17,989)	(16,808)
(Deficit)/surplus in scheme	(393)	(666)	191	(876)	(1,017)
Experience gain/(losses) on scheme assets	(784)	1,518	(39)	785	249
Experience gain/(losses) on scheme liabilities	–	–	272	386	(16)

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

(h) 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 £450k to these schemes during the year and there were £88k of contributions outstanding at the year end.

Notes to the financial statements (continued)

at 31 March 2016

29. Other financial commitments

At 31 March 2016 the company had future minimum lease payments payable under non-cancellable operating leases as set out below:

	Property	*Office equipment*	*Motor vehicles*	*Property*	*Office equipment*	*Motor vehicles*
	2016	*2016*	*2016*	*2015*	*2015*	*2015*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Operating leases:						
Within one year	432	371	530	136	434	644
In two to five years	504	825	519	240	361	572
Over five years	–	–	–	–	–	–
	936	1,196	1,049	376	795	1,216

30. 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.

31. Related party transactions

The Company has taken advantage of the exemption under Section 33 of FRS102 ”Related Party disclosures” not to disclose transactions with its ultimate parent company and fellow 100% owned subsidiary undertakings as the company’s results are included in the consolidated financial statements for the ultimate parent company.

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 £87k (2015 – £81k). Amounts due from the Joint Ventures at the year-end were £1,509k (2015 – £1,417k).

32. Ultimate parent undertaking and controlling party

There is no ultimate controlling party of the Company.

Notes to the financial statements (continued)

at 31 March 2016

33. First Time Adoption of FRS 102

	Note	*As previously stated 1 April 2014 £000*	*Effect of transition 1 April 2014 £000*	*FRS 102 (as restated) 1 April 2014 £000*	*As previously stated 31 March 2015 £000*	*Effect of transition 31 March 2015 £000*	*FRS 102 (as restated) 31 March 2015 £000*
Fixed assets							
Intangible assets	*A*	1,653	–	1,653	1,504	2,204	3,708
Tangible fixed assets	*B*	23,829	(49)	23,780	21,241	(2,383)	18,858
Investment properties		939	–	939	1,823	–	1,823
Investments – joint ventures		(190)	–	(190)	(246)	–	(246)
Loans to joint venture		1,335	–	1,335	1,417	–	1,417
Investments – other		3	–	3	3	–	3
		27,569	(49)	27,520	25,742	(178)	25,563
Current assets							
Stocks		2,375	–	2,375	2,288	–	2,288
Debtors: amounts receivable in less than one year	*C*	103,608	507	104,115	127,077	682	127,759
Debtors: amounts receivable in more than one year		18,571	–	18,571	17,546	–	17,546
Investments	*D*	13	(3)	10	13	(5)	8
Cash at bank and in hand		17,523	–	17,523	31,944	–	31,944
		142,090	504	142,594	178,868	677	179,545
Creditors: amounts falling due within one year	*E*	(104,134)	(541)	(104,675)	(137,223)	(524)	(137,747)
Net current assets		37,956	(37)	37,919	41,645	153	41,798
Total assets less current liabilities		65,525	(86)	65,439	67,387	(25)	67,361

Notes to the financial statements (continued)

at 31 March 2016

33. First Time Adoption of FRS 102 (continued)

	Note	*As previously stated 1 April 2014 £000*	*Effect of transition 1 April 2014 £000*	*FRS 102 (as restated) 1 April 2014 £000*	*As previously stated 31 March 2015 £000*	*Effect of transition 31 March 2015 £000*	*FRS 102 (as restated) 31 March 2015 £000*
Creditors: amounts falling due after more than one year	*F*	(21,267)	(2,361)	(23,628)	(19,201)	(2,404)	(21,605)
Deferred income		(997)	–	(997)	(930)	–	(930)
Provisions for liabilities		(3,691)	–	(3,691)	(3,813)	–	(3,813)
Pensions	*G*	58	16	74	(534)	(133)	(666)
Deferred taxation		–	–	–	–	–	–
Net assets		39,628	(2,431)	37,197	42,909	(2,562)	40,347
Capital and reserves							
Called up share capital		55	–	55	55	–	55
Hedging Reserve		–	(1,751)	(1,751)	–	(1,712)	(1,712)
Revaluation reserve		1,472	–	1,472	1,275	–	1,275
Capital redemption reserve		45	–	45	45	–	45
Profit and loss account		38,056	(680)	37,376	41,534	(850)	40,684
Shareholders' funds		39,628	(3,854)	37,197	42,909	(2,562)	40,347

Notes to the financial statements (continued)

at 31 March 2016

33. First Time Adoption of FRS 102 (continued)

	Note	*As previously stated* *31 March 2015* *£000*	*Effect of transition* *31 March 2015* *£000*	*FRS 102 (as restated)* *31 March 2015* *£000*
Turnover				
Group and share of joint venture's turnover	*H*	490,941	171	491,112
Less: share of turnover of joint ventures		–	–	–
		490,941	171	491,112
Cost of sales	*I*	(456,734)	(278)	(457,012)
Gross Profit		34,207	(107)	34,100
Administrative expenses	*J*	(27,286)	(93)	(27,379)
Other operating income		150	–	150
Group operating Profit		7,071	(200)	6,871
Share of operating loss in joint ventures		(1)	–	(1)
Profit on ordinary activities before finance charges		7,070	(200)	6,870
Interest receivable and similar income – group	*K*	1,618	(127)	1,491
– joint ventures		–	–	–
		1,618	(127)	1,491
Interest payable and similar charges – group	*L*	(1,213)	(162)	(1,375)
– joint ventures		(40)	–	(40)
		(1,253)	(162)	(1,415)
Profit on ordinary activities before taxation		7,435	(489)	6,946
Tax		(1,491)	59	(1,432)
Profit for the financial year		5,944	(430)	5,514

Notes to the financial statements (continued)

at 31 March 2016

33. First Time Adoption of FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102.

A. Intangible assets

Reclassification to fixed assets

Under previous UK GAAP software had been classified as a fixed asset however this has been required under FRS 102 to be recognised under intangible assets. This has resulted in an increase in intangible assets of £2,222k at 1 April 2014 and at 31 March 2015 of £2,204k with a corresponding decrease in tangible fixed assets.

B. Tangible Fixed Assets

Leases

Having regard to the facts and circumstances at the date of transition, certain leases treated as operating leases under previous UK GAAP have been classified as finance leases under FRS102. The tangible fixed assets opening balance was required to be restated by an increase of £272k and at 31 March 2015 by an increase of £216k.

Componentisation review

As a result of the FRS 102 componentisation review the tangible fixed assets opening balance was required to be restated at transition by a decrease of £321k with a further movement at 31 March 2015 of £74K. This resulted in a decrease in the tangible fixed assets recognised by £394k as at 31 March 2015.

C. Debtors: amounts receivable in less than one year

Deferred Tax

As a result of the transition from UK GAAP to FRS 102 the following changes to accounting policies have affected the deferred tax asset:

- recognition of holiday pay accrual
- reclassification of operating lease to finance lease
- requirement for the deferred tax liability related to the pension asset to be reflected in current assets
- recognition of hedging reserve
- componentisation review of tangible fixed assets

Notes to the financial statements (continued)

at 31 March 2016

33. First Time Adoption of FRS 102 (continued)

Deferred Tax (continued)

- revaluation of assets

The above have required the deferred tax asset to be restated at transition by a decrease of £865k and an increase for the year ended 31 March 2015 of £732k.

Prepayments

The reclassification of certain leases from operating leases to finance leases has resulted in a decrease of prepayments at the date of transition of £50k and for the year ended 31 March 2015 of £49k.

D. Investments

Current Asset Investments

Under previous UK GAAP, equities could be measured at cost less any impairment. Under FRS 102, they must be measured at fair value through profit or loss. The impact of this is to decrease the value of current asset investments by £3k and £5k at 1 April 2014 and 31 March 2015 respectively.

E. Creditors: amounts falling due within one year

Holiday pay accrual

Under previous UK GAAP, the Group did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the Group is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The impact is to increase holiday pay accrued by £493k and £471k for the group and company at 1 April 2014 and 31 March 2015 respectively.

Hire Purchase

The reclassification of certain leases from operating leases to finance leases has resulted in an increase of to the obligations under hire purchase contracts payable within one year at the date of transition of £48k and for the year ended 31 March 2015 of £53k.

Notes to the financial statements (continued)

at 31 March 2016

33. First Time Adoption of FRS 102 (continued)

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

Financial Instrument

A swap liability is required to be recognised at transition to the value of £2,189k with movement during the year of £96k. This has resulted in a closing liability falling due after more than one year of £2,285k. Hedge accounting has been applied to the swap resulting in the creation of a hedge reserve, presented net of associated deferred tax, equal to the effective portion of the fair value movements on the instrument. Ineffectiveness in the swap has been recognised in profit and loss.

Leases

The reclassification of certain leases from operating leases to finance leases has resulted in an increase of to the obligations under hire purchase contracts payable after more than one year at the date of transition of £172k and for the year ended 31 March 2015 of £119k.

G. Pensions

As per FRS102 requirements the deferred tax liability related to the pension asset has been reflected in current assets. This resulted in an increase in the pension asset and a corresponding decrease of deferred tax assets of £16k for the year ended 31 March 2014. Similarly, there was a decrease in the pension asset and a corresponding increase of deferred tax assets of £134k for the year ended 31 March 2015.

H. Group and share of joint venture's turnover

Foreign Currency Translation

Under previous UK GAAP the closing rate could be used when translating amounts in the profit and loss account of a foreign operation. FRS102 requires that an average rate is used. The impact of translating at average rate as opposed to closing rate was to increase profit by £75k.

I. Cost of sales

Administration Costs of defined benefit pension scheme
It is deemed to be appropriate under FRS102 not to recognise the costs of administering employee benefit schemes in other comprehensive income as was permitted under UK GAAP but to present these costs within profit or loss. As such there was a decrease in profit arising from the administration costs of £43k which was offset by a corresponding decrease in other comprehensive income.

Notes to the financial statements (continued)

at 31 March 2016

33. First Time Adoption of FRS 102 (continued)

Consolidation adjustment

A consolidation adjustment of £197k has been provided for in relation to the revaluation of JGD (Lagan Mills) in 2015. Previously the write down at John Graham Holdings Limited was processed within reserves, under FRS102 it must be recognised on the face of the Income Statement.

J. Administrative Expenses

Additional depreciation charge

Following the FRS 102 componentisation review, there was an additional depreciation charge of £74k to be recognised for the year ended 31 March 2015.

Leases

On account of the re-classification from operating lease to finance lease, there is a net charge to the income statement of £8k for the year ended 31 March 2015, as a result of recognising depreciation of £56k on the fixed asset, interest payable of £17k on the finance lease and reducing administrative expenses by £65k the value of the operating lease payments.

Holiday pay accrual

As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is a credit of £22k to the income statement for the year ended 31 March 2015, recognising the decrease in the holiday pay accrual over the year.

Current Asset Investments

As a consequence of the requirement to measure equity investments at fair value through profit or loss, there is a charge of £2k to the income statement for the year ended 31 March 2015, recognising the decrease in the market value of investments over the year.

K. Interest receivable and similar income

Adjustment to net interest on net defined pension liability

Under previous UK GAAP, the interest on the expected return on plan assets was calculated using an expected asset rate. FRS 102 requires that the net interest on the net defined benefit liability is calculated using the liability discount rate for the scheme. As such there was a decrease in profit arising from this adjustment of £127k which was offset by a corresponding decrease in other comprehensive income.

Notes to the financial statements (continued)

at 31 March 2016

33. First Time Adoption of FRS 102 (continued)

L. Interest payable and similar charges

Financial Instrument

Due to the FRS 102 requirement to recognise the swap liability, there is £144k of ineffectiveness recoded within interest payable on the financial instrument to be recognised for the year ended 31 March 2015.

34. Transitional relief on transition

On transition to FRS102 from previous UK GAAP, the Group and Company have taken advantage of transitional relief as follows:

Lease incentives
The group and company have not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.