
John Graham Holdings Limited

Report and Financial Statements

31 March 2020

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
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 2020.

Principal activities and review of the business

John Graham Holdings Limited and its subsidiary undertakings (“the Group”) are primarily engaged in building, civils engineering, interior fit-out, facilities management and project investment.

Business review

The financial year ended 31 March 2020 saw a 16% growth in revenue to £853.3m (2019: £735.0m) and profit before tax increase by 38% to £11.3m for this period (2019: £8.2m). Despite the challenging market conditions faced by many of our competitors the directors are pleased to report that each division within the Group has remained profitable.

Market conditions remain competitive across all divisions and with the added complexity of COVID-19 and Brexit it is important that we continue to invest in the business. The Group has continued to invest in its people’s skills and capabilities through our training and development programs. We continually look for operational efficiencies across the business through effective use of our investment in our IT platforms, processes and quality management systems. We also look towards the future to ensure we are driving industry change through our use of modern methods of construction.

Each division within the Group is in a strong position with record order books and a pipeline of opportunity that is strong in both volume and quality. Cash at bank and in hand has increased to £72.9m (2019: £62.9m) with a continued investment in working capital in the period.

Financial performance

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

	2020	2019
	£000	£000
Group turnover and share of joint venture turnover	853,257	735,008
Profit before taxation	11,293	8,188
Cash at bank and in hand	<u>72,940</u>	<u>62,926</u>

The directors regard the results as satisfactory.

Strategic Report (continued)

Principal risks and uncertainties

There are many risks that can adversely affect the Group and if not adequately managed they have the potential to seriously damage both our financial performance and reputation. The directors recognise that consistent and effective risk management is vital to the delivery of our business strategy. The board has overall responsibility for risk management and for ensuring that appropriate controls and audit systems are in place. Through the Graham Risk Management System it is responsible for ensuring sufficient internal controls and the timely identification, evaluation and management of risks.

The Board of Directors has established a Risk Management Group with delegated responsibility for promoting and embedding a culture of risk awareness and assisting the Board in implementing the Risk Management system and associated policies and procedures. The Risk Management Group meets bi-annually to assess the risk environment within which the Group operates and review progress against the internal audit plan. The key risks which management face are detailed as follows:

Health and safety risk

The Group's activities are significant and complex which require the continuous monitoring and management of health, safety and environmental risks. Failure to manage these risks could result in serious harm to employees, subcontractors, the public or the environment and could expose the Group to significant potential liabilities and reputational damage.

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 and procedures. Additionally, each operating Company has experienced Health and Safety professionals who provide support and advice and undertake regular onsite audits.

Coronavirus

The Coronavirus pandemic has and continues to create an unprecedented level of uncertainty for the UK and beyond. We have been following Government guidance since the outset of the Coronavirus outbreak and will continue to do so.

The isolation measures taken by individual governments to mitigate the spread of the virus, as well as the disease impact of the virus on the general population, may alter client and supplier behaviours. The situation is evolving and we continue to monitor the impact of the measures taken on our business and the wider economy.

The Group's priorities during the COVID-19 pandemic remain the safety and wellbeing of our people, their families, suppliers, customers and the communities we operate in during this exceptional time. We have taken steps to protect our colleagues who are categorised as most vulnerable across the organisation. In this respect, for those employees whose roles permits them to do so we promptly

Strategic Report (continued)

Principal risks and uncertainties (continued)

Coronavirus (Continued)

transitioned to a “work from home” capability and we continue to support them whilst they work remotely. This has helped minimise disruption to our business. For employees who work in key site-based roles we have introduced strict safety, hygiene, supply of appropriate PPE and 2 metre social distancing measures, as set out the Construction Leadership Council (CLC) guidelines.

Where staff were unable to work from home or sites unavailable, the business availed of the Coronavirus Job Retention Scheme and placed a number of them on furlough. With the restarting of works on all construction projects and an increase in activity in facilities management, a significant number of these staff members have subsequently returned to work.

The Group will continue to monitor the situation regarding the wider impact of the virus on service delivery resulting from changing client and supply chain behaviours.

For more details on the Group’s consideration of the impact of COVID-19, please refer to the Director’s Report on page 11, and the going concern disclosures on page 28.

Markets

The Group business plan is based upon securing and delivering revenues from both public sector and private sector clients across the UK and Ireland. The impact of any political change, shift in government policy or changing market conditions and trends may cause the Group’s clients to cancel, postpone or reduce existing or future projects. Changes in market conditions could also have a material impact on our supply chain which could lead to supply chain failure or liquidity issues. This could impact on our ability to deliver contracts to programme and on budget.

The Group is developing its business streams across the UK and Ireland over the spectrum of markets and sectors to mitigate the risk of adverse changes in spending in any one market. The Group will continue to focus on more resilient and stable markets and sectors maintaining an appropriate balance between public and private sector work.

Brexit

The impact of Brexit continues to create economic uncertainty across the UK and Ireland. The Group continues to monitor the risk of no deal being reached and the impact that this will have in relation to our business environment including any regulatory changes and the potential financial impact.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Work Winning

The Group's operating companies seek to win profitable work through a large number of bids each year. Often the work that is tendered is complex and over a long term with significant risks. There is a risk that the tender assumptions are incorrect or that the risks of the tender have not been fully considered. If tenders are under-priced and successful, this will lead to poor financial performance and potential reputational damage. If tenders are over-priced this could lead to a low volume of wins which will have a negative impact on the order book.

The Group has set out its appetite for the amount of exposure it is willing to accept in regions and sectors through business planning sessions. The commercial expectations in respect of margin, risk, contract terms etc. also form part of the business planning process and are discussed at business unit management board meetings. All bids are subject to rigorous estimating and tendering 'Go/No Go' gateway procedures within a defined framework.

Delivery

The Group is engaged in a wide number of complex construction, facilities management and interior fit-out projects at any one time across the UK and Ireland. Given the diverse nature of the Group, it is exposed to a variety of projects which are reliant on effective operational and commercial procedures and controls being implemented and maintained. The business is reliant on its staff to make complex, technical and commercial judgements and estimates regarding, cost, value, progress and outcomes. If these risks are not managed effectively, the Group may suffer losses, delays and potential reputational damage.

Each Operating Company has an operating structure, policies and procedures designed to address the risks inherent in project delivery. Each project undertaken is subject to regular management review, this includes a rigorous and regular review of the forecast revenue and costs to complete, with progress monitored and steps put in place to address specific risks identified on those projects. Comprehensive management review, the risk management system, independent internal and external audits and customer feedback are all key controls in ensuring successful project delivery.

People

The success of the Group depends on its ability to recruit, retain and develop people with the necessary experience and expertise. It is critical that the group has a highly skilled, diverse and motivated workforce as the demands and complexity of project requirements increase.

The Group seeks to mitigate this risk by offering market-competitive remuneration, training and career development opportunities. Remuneration and incentive packages are reviewed annually to assist in the attraction and retention of key employees.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Supply Chain

As a business, our success depends heavily on our ability to appropriately manage our supply chain. Failure to do this could result in project delivery issues, compliance issues and strained customer relationships, ultimately leading to damage to the group reputation and financial penalties.

The Group seeks to develop long-term relationships with its key subcontractors whilst at the same time not becoming over-reliant on any particular one for the delivery of certain services. As part of its selection criteria, the Group seeks to work with subcontractors /suppliers who share its values. The evolution of supply chain management policy and procedures remains a priority in all Operating Companies.

Finance

The Group is able to operate through the cash reserves which have been built up through retained profits and management of working capital. Given the growth within the Group it is important that strong finances are in place and that key financial risks are managed. If the business does not have sufficient working capital, then it will be unable to meet its contractual obligations to make payments. The Group depends on appropriate, accurate and timely financial information to manage the business effectively; if there is lack of visibility then poor decisions can be made.

The Group continually reviews its financial position to ensure there are sufficient resources to meet current and potential future operational demands. New financial reporting systems have been introduced to improve the visibility and speed at which information is made available.

Compliance

As a major employer and contractor, we have to comply with the complex and developing legal and regulatory frameworks in areas such as:

- Health and safety
- Taxation
- Fraud, bribery and corruption
- Modern Slavery Act
- Criminal Finances Act
- Payment Practices and Performance Reporting
- Gender Pay Gap Reporting
- General Data Protection Regulation (GDPR).

Strategic Report (continued)

Principal risks and uncertainties (continued)

It is essential that we can evidence our compliance to avoid the material financial and reputational impacts associated with non-compliance.

The Group monitors and responds to legal and regulatory developments applicable to the markets in which it operates. Detailed policies and procedures exist to minimise risks and are subject to review and monitoring by Operating Companies and Group. Where considered appropriate, staff will be provided with training on such regulatory requirements, to ensure policies and procedures and expected behaviours are clearly understood.

Systems

The efficient operation of the Group is increasingly dependent on the proper operation, performance and development of its IT systems. Failure to manage, integrate or successfully implement changes in IT systems could result in a loss of control over critical business information and/or systems. This in turn could impact the Group's ability to fulfil its contractual obligations. A breach of information security, an improper disclosure of such information or the loss of business information could expose the Group to adverse publicity, investigation, financial loss and legal claims.

Robust controls and procedures are in place to effectively monitor our systems for on-going performance and external threats. The Group has in place a comprehensive IT Disaster Recovery Plan, which is routinely tested to ensure it remains fit for purpose. Robust data protection policies and procedures are in place which comply with the General Data Protection Regulations (GDPR). All staff have been provided with appropriate training in the area of information and personal data security.

Financial instruments

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

Foreign currency risk

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

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

Strategic Report (continued)

Principal risks and uncertainties (continued)

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.

Strategic Report (continued)

Section 172 Companies Act 2006 Statement

In the decisions taken during the year ended 31 March 2020, the Board of Directors of John Graham Holdings Limited believe they have acted in the way they consider, in good faith, and most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) .

This statement sets out how the Directors comply with the requirements of Section 172 of the Companies Act 2006.

Role of the Board

The Board are the custodians of the business, with a responsibility to create and sustain long-term value for our shareholders and stakeholders by directing its affairs and meeting their legitimate interests. The Board clearly understands the correlation between good corporate governance, healthy stakeholder relations, effective communication and the alignment of corporate goals with stakeholders' expectations and aspirations.

Dedicated to the protection of the environment, our work connects communities, builds a better future and transforms and maintains the places where we live, work and relax - it delivers lasting impact. Underpinning this guiding principle, the Board are committed to ensuring that our values of performance, transparency, collaboration, respect and innovation are upheld, thereby maintaining our competitive advantage and protecting long term value.

In fulfilling the Boards principal responsibility, our business strategy is reviewed on an annual five-year rolling basis, with half-yearly reviews as part of the business planning process. Prior to the commencement of each new financial year, the Group business units will establish their own business plans which will be reviewed and approved by the Board, ensuring they align to the strategic vision, aims and objectives of the Group.

These plans keep the business focused, on both the upcoming year and the outer following four years and is a key part of developing future needs and driving business improvements.

External impacts

The Board fully understands that the impact of our operations is measured not just in the quality of the project delivered but in the longer-term impact on the environment, communities and people. At GRAHAM we are committed to working in support of the UN "United Nations" Sustainable Development Goals (SDGs) – a global blueprint to achieve a better and more sustainable future for all. Our focus is on positively influencing the SDGs most applicable to us in our role as a leading national contractor.

Our Employees

The Board understands the importance of our employees to the long-term success and sustainability of the business. As the first Group with a company to simultaneously achieve Investors in People (IiP) Platinum and Wellbeing accreditations, we invest in our people, develop the whole person, and provide a platform for everyone to excel using the IiP framework for effective communication with our workforce.

Strategic Report (continued)

Section 172 Companies Act 2006 Statement (continued)

At GRAHAM we understand that wellbeing is pivotal to effective personal performance. Using our award winning CONNECT programme as the cornerstone of wellbeing the Board believe we have an innovative whole person development programme designed to help our workforce take control and shape their personal career path. The Board regularly communicates with employees, this includes annual staff briefings, which allows us to update the workforce on the Group's performance and on our plans and objectives for the year ahead. These briefings are organised on a divisional basis in group sizes that afford opportunity for two-way engagement and dialogue.

A new internal intranet introduced in 2018 provides a source of information and news for the workforce collated in one place. This is supplemented with the introduction of software tools which further facilitates collaboration and two-way communication.

Our Clients and Supply Chain

The Board believe that working in partnership with our clients, community stakeholders and supply chain in a more sustainable way enables us to find practical, safer methods of operating, which deliver improved performance and best value for clients.

For our clients this means well-resourced Framework and Project Teams, understanding our clients' own strategic objectives and working collaboratively to deliver best value outcomes.

For supply chain partners this means a continual development of our Supply Chain Management Programmes, promoting and creating business opportunity through Regional "Meet the Buyer" events, SME business mentoring and resource support in the development of Regional and Project Skills Academies.

Local Communities

The Board are cognisant the effect our operations have upon local communities and we aim to reduce the impact our operations have on local communities and make a positive contribution to the communities within which we work. This includes minimising disruption; fostering local involvement and enterprise through the use of local labour, equipment, materials and supply chain partners; engaging effectively with the local community by proactively communicating and encouraging feedback about our operations; supporting educational initiatives and encouraging staff to share knowledge and skills within the wider community.

On behalf of the Board



Courtney McCormick
Director
22nd October 2020

REGISTERED No. NI 057921

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2020.

Results and dividends

The Group demonstrated a satisfactory performance for the year ended 31 March 2020. The Group profit for the year after taxation amounted to £9m (2019 – profit of £6.6m). The Directors do not recommend a final dividend (2019 – £nil). Retained earnings carried forward are £65.7m (2019 – £62.7m). During the year dividends of £4.930m were proposed and paid (2019 – £2.625m).

Future developments

Each division within the Group continues to deliver robust performances with a focus on ensuring quality delivery. Our core markets remain strong within the UK as we continue with our policy of selective bidding, focusing on building strategic partnerships and the development of framework opportunities. Our divisional strength, sectoral expertise and regional presence provides a well-balanced service offering within the Group and are all underpinned by a healthy forward order book.

The Group will continue to work diligently in partnership with clients to ensure the delivery of a quality product whilst ensuring efficient value for money solutions. With this approach and our continued focus on operational efficiency, the Group plans to continue with its controlled growth.

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. Therefore, 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 Group has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the effect of the COVID-19 pandemic on the Group, and as part of the budgeting and forecasting cycle of the business, long-range financial statement, and corresponding cashflow, forecasts have been prepared

Directors' Report (continued)

Going concern (continued)

and reviewed. The forecasts have been sensitised to consider plausible downside scenarios as a result of the COVID-19 pandemic. From this exercise it has been established that the Group is expected to generate profits and cash reserves in the year ending 31 March 2021 and beyond and that the Group has sufficient cash and liquidity headroom to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of signing these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the annual Director's report and financial statements.

Directors

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

Michael E J Graham
Andrew K Bill
Alan 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 fundraising 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)

Streamlined Energy and Carbon Reporting (SECR)

2019/20 is the first mandatory reporting year so therefore there we have not included any comparatives.

Quantification and Reporting Methodology

In order to calculate the required information, we have used:

- The 2019 UK Government environmental reporting guidance
- The GHG Reporting Protocol - Corporate Standard (revised edition)
- Data gathered to fulfill our requirements under ESOS (Energy Saving Opportunity Scheme)
- UK Government's GHG Conversion Factors for Company Reporting 2019

We have reported on all the emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

Green House Gas Emissions

GRAHAM GROUP SCOPE 1,2 AND 3 EMISSIONS					
Scope	Energy Source	Quantity	Unit	Estimated data (%) **	Overall %
Scope 1	Gas, oil and biomass	8,350.66	tCO ₂ e	0	51.3%
	Owned/ leased fleet vehicles	2,433.00	tCO ₂ e	0	16.7%
Scope 2	Purchased electricity (location based)	779.52	tCO ₂ e	<0.5%	4.8%
	*Purchased electricity (market based)	636.11	tCO ₂ e	<0.5%	N/A
Scope 3	Business travel - Employee owned vehicles	1,615.36	tCO ₂ e	0	9.9%
	Business travel - Rental cars	309.52	tCO ₂ e	0	1.9%
	*Business travel - flights	2,178.77	tCO ₂ e	0	13.4%
	*Business travel – trains and buses	44.82	tCO ₂ e	0	0.3%
	*Business travel - hotels	280.12	tCO ₂ e	0	1.7%
Total	Mandatory scope 1&2	11,844.13	tCO ₂ e		
Total	Scope 1,2 & 3 (Location based method)	16,272.72	tCO ₂ e		
Total	Scope 1,2 & 3 (Market based method)	16,129.31	tCO ₂ e		
	Intensity Ratio	21.31	tCO ₂ e/£1M		

*Optional for reporting under SECR

** Estimates made where invoices spanned date ranges outside the reporting period

Directors' Report (continued)

Streamlined Energy and Carbon Reporting (SECR) (Continued)

Energy Use

GRAHAM GROUP ENERGY USE				
Energy Source	Quantity	Unit	Estimated data (%)	% of overall energy
Electricity ¹	2,149.95	MWh	<0.5% ⁴	4%
Transport Fuel ²	14,018.66	MWh	<0.1% ⁵	28%
Process Fuel ³	33,538.35	MWh	0	68%
Total	49,706.96	MWh		

¹Energy associated with the purchase of electricity

²Energy associated with transport fuel used in company cars and fleet vehicles on business use and in personal/ hire cars on business use

³Energy associated with the combustion of fuel in equipment such as boilers, generators and mobile plant

⁴Estimates made where invoices spanned date ranges outside the reporting period

⁵Errors in data processing by car hire companies were corrected with data estimates

Energy Efficiency Action

In the period covered by the report GRAHAM Group have undertaken the following energy efficiency action:

- We invested in the development of a bespoke software system to enable the enhanced visibility of energy and carbon data arising at site level.
- Energy audits were completed on sites. Opportunities such as installation of smart meters, zoning and controls within temporary electrics and grid connections to replace diesel generators were highlighted and actioned.
- In line with our climate action roadmap, we trialled new technologies in order to gain understanding of the advantages, benefits and potential barriers to low or zero carbon technologies and alternative sources of energy.
- We utilised an energy management consultancy to procure new electricity connections for sites and offices. Only green energy tariffs where all energy is renewable was sourced by our energy managers. In the period covered by the report, we purchased 1,395MWh of renewable energy, backed by Renewable Energy Guarantees of Origin (REGO's).
- Eco specification welfare accommodation was sourced and hired for sites as standard practice. Energy saving features utilised included increased insulation, double glazing and lighting and heating with PIRs.
- We continued to implement our Green Travel Policy and associated initiatives.
- The company car list was revised to include five plug in hybrids (PHEVs) and eleven Hybrid Electric Vehicles. In order to incentivize driver uptake of PHEVs, arrangements were made for the installation of Electric Vehicle Charging Points at our Head Quarters.

Directors' Report (continued)

Streamlined Energy and Carbon Reporting (SECR) (Continued)

- Eco Driving Training (approved by the Energy Saving Trust) was designated as mandatory training for all high mileage drivers within the company.
- The company IT systems continued to be developed with full capability for remote working and virtual (teams) business meetings in order to facilitate a reduction in business travel.
- Due consideration was given to energy efficiency and emissions for all plant, equipment and vehicles researched for potential purchase. This included a phased approach to replacement of lighting systems utilised on site to LED alternatives.
- Our telematic system for fleet vehicles was reviewed and renewed during the period. The system continues to be used to monitor driver behaviour in order to assist in reducing fuel usage and associated GHG emissions.

Disclosure of information to the auditors

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

Auditors

In accordance with s485 of the Companies Act 2006 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



Michael Graham
Director
22nd October 2020

Directors Responsibilities 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 for the financial statements 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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

Opinion

We have audited the financial statements of John Graham Holdings Limited ('the parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Group Profit and Loss Account, the group and parent company Balance Sheet, group Statement of Cash Flows, the Group Statement of Comprehensive Income, the Group and parent statement of changes in equity and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report (continued)

to the members of John Graham Holdings Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

Independent auditor's report (continued)

to the members of John Graham Holdings Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report (continued)

to the members of John Graham Holdings Limited

Use of our report

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



Michael Kidd (Senior Statutory Auditor)
for and on behalf of **Ernst & Young LLP, Statutory Auditor**
Belfast

Date 26 October 2020

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 2020

	<i>Notes</i>	<i>2020</i> £000	<i>2019</i> £000
<i>Turnover</i>			
Group and share of joint ventures' turnover		853,257	735,008
Cost of sales		(802,332)	(688,815)
<i>Gross Profit</i>		50,925	46,193
Administrative expenses		(40,209)	(39,201)
Other operating income	3(b)	550	991
<i>Group operating Profit</i>	3(a)	11,266	7,983
Interest receivable and similar income	7	237	432
Interest payable and similar charges	6	(210)	(227)
<i>Profit before taxation</i>		11,293	8,188
Taxation	8	(2,238)	(1,570)
<i>Profit for the financial year</i>		9,055	6,618

Group Statement of Comprehensive Income
for the year ended 31 March 2020

	<i>Notes</i>	<i>2020</i> £000	<i>2019</i> £000
Profit for the financial year excluding share of joint ventures		9,055	6,618
Net actuarial (loss)/gain recognised in respect of pension scheme	28(d)	(190)	330
Deferred tax liability on net actuarial gain		37	(56)
Currency adjustments on retranslation of foreign subsidiaries		61	(35)
<i>Total comprehensive income relating to the year</i>		8,963	6,857

Group Balance Sheet

at 31 March 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	11	1,601	1,907
Tangible fixed assets	12	18,809	20,144
Investment properties	12	–	1,100
		<u>20,410</u>	<u>23,151</u>
Current assets			
Stocks	14	1,013	1,310
Debtors: amounts receivable in less than one year	15	221,790	213,821
Debtors: amounts receivable in more than one year	15	–	538
		<u>222,803</u>	<u>215,669</u>
Investments	16	–	7
Cash at bank and in hand	17	72,940	62,926
		<u>295,743</u>	<u>278,602</u>
Creditors: amounts falling due within one year	18	<u>(243,877)</u>	<u>(231,848)</u>
Net current assets		<u>51,866</u>	<u>46,754</u>
Total assets less current liabilities		<u>72,276</u>	<u>69,905</u>
Creditors: amounts falling due after more than one year	19	(5,397)	(6,774)
Deferred income	24	(599)	(666)
Deferred tax	23	(71)	(109)
Provisions for liabilities	22	<u>(1,490)</u>	<u>(1,516)</u>
Net assets excluding pension asset		<u>64,719</u>	<u>60,840</u>
Pension scheme asset	28	1,988	1,834
Net assets including pension asset		<u>66,707</u>	<u>62,674</u>
Capital and reserves			
Called up share capital	26	55	55
Revaluation reserve		925	925
Capital redemption reserve		45	45
Profit and loss account		<u>65,682</u>	<u>61,649</u>
Shareholders' funds		<u>66,707</u>	<u>62,674</u>

The financial statements were approved and authorised for issue by the board of directors and were signed on their behalf on the 22nd October 2020.



Courtney McCormick
Director

Company Balance Sheet

at 31 March 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Investments	13	44,184	44,184
Current assets			
Debtors	15	111	111
Cash at bank and in hand		–	75
Net current assets		111	186
Total assets less current liabilities		44,295	44,370
Net assets		44,295	44,370
Capital and reserves			
Called up share capital	26	55	55
Merger reserve		35,945	35,945
Profit and loss account		8,295	8,370
Shareholders' funds		44,295	44,370

No Profit and Loss account is presented for John Graham Holdings Limited as permitted by section 408 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the board of directors and were signed on their behalf on the 22nd October 2020.



Michael Graham
Director

Group Statement of Changes in Equity

for the year ended 31 March 2020

	<i>Called up Share Capital</i> £000	<i>Revaluation Reserve</i> £000	<i>Capital Redemption Reserve</i> £000	<i>Profit and Loss Account</i> £000	<i>Total Equity</i> £000
At 1 April 2019	55	925	45	61,649	62,674
<i>Comprehensive income for the year</i>					
Profit for the year	–	–	–	9,055	9,055
Net actuarial loss	–	–	–	(190)	(190)
Deferred tax on actuarial loss	–	–	–	37	37
Retranslation of foreign subsidiary	–	–	–	61	61
<i>Total comprehensive income for the year</i>	55	925	45	70,612	71,637
<i>Transactions with owners</i>					
Dividends paid	–	–	–	(4,930)	(4,930)
<i>At 31 March 2020</i>	55	925	45	65,682	66,707

Called up share capital

Share capital represents the nominal value of shares that have been issued.

Revaluation reserve

Revaluation reserve represents the surplus arising on the revaluation of assets held by the group.

Capital redemption reserve

Capital redemption reserve represents the nominal value of share capital cancelled arising from the redemption of shares.

Profit and loss account

Profit and loss account includes all current year and prior period retained profits and losses net of dividends paid.

Group Statement of Changes in Equity

for the year ended 31 March 2019

	<i>Called up Share Capital</i> £000	<i>Revaluation Reserve</i> £000	<i>Capital Redemption Reserve</i> £000	<i>Profit and Loss Account</i> £000	<i>Total Equity</i> £000
At 1 April 2018	55	925	45	57,417	58,442
<i>Comprehensive income for the year</i>					
Profit for the year	–	–	–	6,618	6,618
Net actuarial gain	–	–	–	330	330
Deferred tax on actuarial gain	–	–	–	(56)	(56)
Retranslation of foreign subsidiary	–	–	–	(35)	(35)
<i>Total comprehensive income for the year</i>	55	925	45	64,274	65,299
<i>Transactions with owners</i>					
Dividends paid	–	–	–	(2,625)	(2,625)
<i>At 31 March 2019</i>	55	925	45	61,649	62,674

Called up share capital

Share capital represents the nominal value of shares that have been issued.

Revaluation reserve

Revaluation reserve represents the surplus arising on the revaluation of assets held by the group.

Capital redemption reserve

Capital redemption reserve represents the nominal value of share capital cancelled arising from the redemption of shares.

Profit and loss account

Profit and loss account includes all current year and prior period retained profits and losses net of dividends paid.

Company Statement of Changes in Equity

for the year ended 31 March 2020

	<i>Called up Share Capital £000</i>	<i>Merger Reserve £000</i>	<i>Profit and Loss Account £000</i>	<i>Total Equity £000</i>
At 1 April 2019	55	35,945	8,370	44,370
<i>Comprehensive income for the year</i>				
Profit for the year	–	–	4,855	4,855
<i>Total comprehensive income for the year</i>	55	35,945	13,225	49,225
<i>Transactions with owners</i>				
Dividends paid	–	–	(4,930)	(4,930)
<i>At 31 March 2020</i>	55	35,945	8,295	44,295

Called up share capital

Share capital represents the nominal value of shares that have been issued.

Merger reserve

Merger reserve represents the difference between the nominal value of shares issued and the related consideration.

Profit and loss account

Profit and loss account includes all current year and prior period retained profits and losses net of dividends paid.

Company Statement of Changes in Equity

for the year ended 31 March 2019

	<i>Called up Share Capital £000</i>	<i>Merger Reserve £000</i>	<i>Profit and Loss Account £000</i>	<i>Total Equity £000</i>
At 1 April 2018	55	35,945	8,370	44,370
<i>Comprehensive income for the year</i>				
Profit for the year	–	–	2,625	2,625
<i>Total comprehensive income for the year</i>	55	35,945	10,995	46,995
<i>Transactions with owners</i>				
Dividends paid	–	–	(2,625)	(2,625)
<i>At 31 March 2019</i>	55	35,945	8,370	44,370

Called up share capital

Share capital represents the nominal value of shares that have been issued.

Merger reserve

Merger reserve represents the difference between the nominal value of shares issued and the related consideration.

Profit and loss account

Profit and loss account includes all current year and prior period retained profits and losses net of dividends paid.

Group Statement of Cash Flows

for the year ended 31 March 2020

	2020	2019
Note	£000	£000
Net cash inflow/(outflow) from operating activities	27(a) 17,821	(497)
Investing activities		
Interest received – excluding loan notes	155	373
Interest received – loan notes	82	59
	237	432
Receipts from sale of fixed assets	1,985	296
Receipts from sale of investment	6	–
Movement on loans and loan note receivables	21	39
Payments to acquire tangible and intangible fixed assets	(2,529)	(2,542)
	(280)	(1,775)
Financing activities		
Interest element of finance lease payments	(111)	(116)
Interest paid	(99)	(111)
	(210)	(227)
Equity dividends paid	(4,930)	(2,625)
Net movement on loans	(720)	(470)
Capital element of hire purchase rental	(1,724)	(1,588)
Net cash flow from financing activities	(7,584)	(4,910)
Net cash from operating activities and before use of liquid resources	9,957	(7,182)
Effect of exchange rates on cash and cash equivalents	57	(13)
Cash and Cash equivalents at 01 April 2019	62,926	70,121
Cash and Cash equivalents at 31 March 2020	72,940	62,926

Notes to the Financial Statements

at 31 March 2020

1. Accounting policies

Going concern

The company is in a strong financial position, with net current assets of £51,866k. There are also significant opportunities for growth in the future and as a result of these factors the directors have concluded that it is appropriate to prepare accounts on a going concern basis.

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 has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the effect of the COVID-19 pandemic on the company, and as part of the budgeting and forecasting cycle of the business, long-range financial statement, and corresponding cashflow, forecasts have been prepared and reviewed. The forecasts have been sensitised to consider plausible downside scenarios as a result of the COVID-19 pandemic. From this exercise it has been established that the company is expected to generate profits and cash reserves in the year ending 31 March 2021 and beyond and that the company has sufficient cash and liquidity headroom to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of signing these financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the annual Director's report and financial statements.

Statement of compliance

John Graham Holdings Limited is a private company limited by shares incorporated in Northern Ireland. The registered office is 5 Ballygowan Road, Hillsborough, Co. Down, BT26 6HX. These financial statements have been prepared in compliance with FRS 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" as it applies to the financial statements of the group for the year ended 31 March 2020.

Basis of preparation

The financial statements were authorised for issue by the Directors on 22nd October 2020. 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.

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000.

Notes to the Financial Statements (continued)

at 31 March 2020

1. Accounting policies (continued)

Group financial statements

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2020. No Profit and Loss account is presented for John Graham Holdings Limited as permitted by section 408 of the Companies Act 2006.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

In the parent company financial statements investments in subsidiaries, joint venture and associates are accounted for at cost less impairment.

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 equity method.

Notes to the Financial Statements (continued)

at 31 March 2020

1. Accounting policies (continued)

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 and the amounts reported for revenues and expenses during the year 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:

Carrying value of properties

The Group owns sites for which future development is anticipated. The net realisable value of these sites, carried in stock, is estimated based on the expected future cash flows of developing the site in line with current appraisals.

Operating and finance lease commitments

The Group 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 contract revenues and related receivables reflect the directors' best estimates of contracts outcome and stage of completion. This includes the assessment of the profitability of the contracts. The organisation draws on the expertise of qualified personnel to undertake such estimates and to apply appropriate levels of scrutiny to ensure the required level of accuracy and governance over this class of asset, in order to limit concern over the recoverability of these balances. Costs to complete and contract profitability are subject to significant estimation uncertainty.

Notes to the Financial Statements (continued)

at 31 March 2020

1. Accounting policies (continued)

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.

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

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 8.

Notes to the Financial Statements (continued)

at 31 March 2020

1. Accounting policies (continued)

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
Goodwill on consolidation	5% 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. Judgements are made on the estimated useful life of the assets which are regularly reviewed to reflect the changing environment.

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 33½% straight-line
Office equipment and computer equipment	–	10% to 33½% straight-line

Notes to the Financial Statements (continued)

at 31 March 2020

1. Accounting policies (continued)

Tangible Fixed Assets (continued)

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

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 2020

1. Accounting policies (continued)

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

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 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.
- Unrelieved tax losses and other 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. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date. 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.

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 the shorter of the lease term and the assets useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the Balance Sheet.

Notes to the Financial Statements (continued)

at 31 March 2020

1. Accounting policies (continued)

Leasing and hire purchase commitments (continued)

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 2020

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 Profit and Loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in Other Comprehensive Income 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.

Contributions to defined contribution schemes are recognised in the Profit and Loss account in the period in which they become payable.

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 2020

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 balance sheet 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 2020

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.

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.

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.

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.

Notes to the Financial Statements (continued)

at 31 March 2020

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 2020 amounted to £16.0m (2019 – £16.6m).

It is the opinion of the Directors that disclosure of the areas of the turnover would be seriously prejudicial to the interests of the company, therefore it has not been disclosed.

3. Group operating profit

(a) This is stated after charging:

	2020 £000	2019 £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	92	75
Fees in respect of the Graham Asset Management Limited pension scheme:		
– Audit	5	6
Depreciation of owned fixed assets	2,728	2,592
Depreciation of assets held under finance leases and hire purchase contracts	1,584	1,395
Operating leases – land and buildings	804	829
Other operating leases	1,494	1,354
Scottish Government grant funding - Voluntary Action Fund	–	(38)
Rental income, net of outgoings	(26)	(26)
Amortisation of intangible assets	645	602
Other operating income (note 3(b))	550	991
Profit on sale of fixed assets	(366)	(245)

Notes to the Financial Statements (continued)

at 31 March 2020

3. Group operating profit (continued)

(b) Other operating profit

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Rental Income	26	26
Training Grants receivable	34	341
Research and Development expenditure credit	490	624
	<u>550</u>	<u>991</u>

4. Directors' remuneration

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Remuneration	1,497	1,940
Company contributions to money purchase pension scheme	26	26
Amounts paid to third parties for services as directors	58	48
	<u>1,581</u>	<u>2,014</u>

The number of directors who:

	<i>No.</i>	<i>No.</i>
Are members of defined benefit pension scheme	5	5
Are members of a defined contribution scheme	<u>6</u>	<u>6</u>

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Amounts attributable to the highest paid director:		
Remuneration for service as executive	430	514
Company contributions to money purchase pension scheme	10	10
	<u>440</u>	<u>524</u>

Notes to the Financial Statements (continued)

at 31 March 2020

5. Staff costs

	2020 £000	2019 £000
Wages and salaries	97,282	91,531
Social security costs	10,117	9,793
Pension contribution	8,655	7,946
	<u>116,054</u>	<u>109,270</u>

The average monthly number of persons employed by the Group (including directors) during the year was as follows;

	2020	2019
Administrative	616	638
Operational	1,572	1,523
	<u>2,188</u>	<u>2,161</u>

6. Interest payable and similar charges

	2020 £000	2019 £000
Bank loans and overdrafts	97	98
Finance charges under finance leases and hire purchase contracts	113	129
	<u>210</u>	<u>227</u>

Notes to the Financial Statements (continued)

at 31 March 2020

7. Interest receivable and similar income

	2020 £000	2019 £000
Bank interest	149	362
Other Interest	42	58
	191	420
Expected return on pension scheme assets (note 28)	594	583
Interest on pension scheme liability (note 28)	(548)	(571)
Net interest receivable (note 28)	46	12
	237	432

8. Tax

(a) Tax on profit

The tax charge is made up as follows:

	2020 £000	2019 £000
Current tax:		
UK corporation tax on profit for the year	2,102	1,425
Adjustments in respect of previous years	66	128
ROI adjustments in respect of prior years	6	(2)
Foreign (Republic of Ireland) tax on profit of the current year	65	85
Total current tax	2,240	1,636
Deferred tax:		
Origination and reversal of timing differences	47	69
Effect of rate changes	6	(7)
Adjustment in respect of previous years	(55)	(128)
Total deferred tax	(2)	(66)
Tax on profit (note 8(b))	2,238	1,570

Notes to the Financial Statements (continued)

at 31 March 2020

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 19% (2019 – 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before tax	11,293	8,188
Group profit before tax	11,293	8,188
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	2,146	1,556
<i>Effects of:</i>		
Expenses not deductible net of income not chargeable for tax purposes	98	70
Income not taxable	(3)	(1)
Goodwill amortisation	34	10
Utilisation of losses/timing differences not previously recorded	(1)	–
Lower rates on overseas earnings	(59)	(56)
Impact of rate changes	6	(7)
ROI adjustments in respect of prior years	6	(2)
Adjustments in respect of previous periods	11	–
Total tax for the year (note 8(a))	2,238	1,570

Notes to the Financial Statements (continued)

at 31 March 2020

8. Tax (continued)

(c) Deferred tax

	2020	2019
	£000	£000
Decelerated capital allowances	(133)	(118)
Deferred tax arising in relation to retirement benefit obligations	378	312
Tax losses available	(11)	(10)
Other timing differences	(163)	(75)
Shown in provision for liabilities (note 23)	<u>71</u>	<u>109</u>

Group

£000

At 1 April 2019	109
Charged to Profit and Loss Account	(2)
Charged to OCI - other timing differences	(36)
At 31 March 2020	<u>71</u>

(d) Factors that may affect future tax charges

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. The year-end deferred tax balance has therefore been restated using the 19% tax rate.

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

Notes to the Financial Statements (continued)

at 31 March 2020

9. Profit attributable to members of parent undertaking

The Parent undertaking's Profit after tax for the financial year amounted to £4,855k (2019 – profit of £2,625k).

10. Dividends

	2020 £000	2019 £000
<i>Equity dividends on ordinary shares:</i>		
1st interim dividend for 2020 – £6.81 per share (2019 – £18.17 per share)	356	949
2nd interim dividend for 2020 – £28.24 per share (2019 – £18.17 per share)	1,476	949
3rd interim dividend for 2020 – £27.24 per share (2019 – £11.36 per share)	1,424	593
Final dividend for 2020 – £27.24 per share (2019 – £0 per share)	1,424	–
<i>Equity dividends on 'A' ordinary shares:</i>		
1st interim dividend for 2020 – £0.35 per share (2019 – £0.92 per share)	19	51
2nd interim dividend for 2020 – £1.44 per share (2019 – £0.92 per share)	79	51
3rd interim dividend for 2020 – £1.38 per share (2019 – £0.58 per share)	76	32
Final dividend for 2020 – £1.38 per share (2019 – £0 per share)	76	–
	4,930	2,625

Notes to the Financial Statements (continued)

at 31 March 2020

11. Intangible fixed assets

<i>Group</i>	<i>Computer Software £000</i>	<i>Purchased goodwill £000</i>	<i>Goodwill on consolidation £000</i>	<i>Total £000</i>
Cost:				
At 1 April 2019	4,434	394	(100)	4,728
Additions	462	–	–	462
Disposals	(339)	(309)	–	(648)
At 31 March 2020	4,557	85	(100)	4,542
Depreciation:				
At 1 April 2019	2,677	209	(65)	2,821
Charge for the year	588	62	(5)	645
Disposals	(339)	(186)	–	(525)
At 31 March 2020	2,926	85	(70)	2,941
Net book value:				
At 31 March 2020	1,631	–	(30)	1,601
At 1 April 2019	1,757	185	(35)	1,907

12. Tangible fixed assets

<i>Group</i>	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Office equipment and I.T. Equipment £000</i>	<i>Total £000</i>
Cost:				
At 1 April 2019	17,279	24,845	6,430	48,554
Additions	–	2,315	681	2,996
Disposals	–	(1,217)	(854)	(2,071)
At 31 March 2020	17,279	25,943	6,257	49,479
Depreciation:				
At 1 April 2019	7,223	16,196	4,991	28,410
Charge for the year	296	3,129	887	4,312
Disposals	–	(1,203)	(849)	(2,052)
At 31 March 2020	7,519	18,122	5,029	30,670
Net book value:				
At 31 March 2020	9,760	7,821	1,228	18,809
At 1 April 2019	10,056	8,649	1,439	20,144

Included within land and buildings is £143 (2019 – £143k) of capitalised interest. The net book value of fixed assets includes £4.6m (2019 – £5.1m) in respect of assets held under hire purchase contracts.

Notes to the Financial Statements (continued)

at 31 March 2020

13. Investments

(a) Company	2020 £000	2019 £000
Subsidiaries	<u>44,184</u>	<u>44,184</u>
Company		£000
<i>Shares in subsidiaries – cost and net book value:</i> At 1 April 2019 and 31 March 2020		<u>44,184</u>

Notes to the Financial Statements (continued)

at 31 March 2020

13. Investments (continued)

Subsidiaries

At the balance sheet date, the group owns 100% of the ordinary share capital in the following:

Subsidiary	Principal activity	Country of registration
John Graham Construction Limited ⁶	Building and civil engineering works	Northern Ireland
John Graham Property Investments Limited ⁶	Property management	Northern Ireland
John Graham Developments Limited ⁶	Parent undertaking non-trading	Northern Ireland
Graham Asset Management Limited ⁶	Facilities management services	Northern Ireland
Graham Investment Projects Limited ⁶	Management of PFI investments	Northern Ireland
JGD (Lagan Mills) Limited ^{1 6}	Property development	Northern Ireland
JGD (Market Square) Limited ^{1 6}	Property development	Northern Ireland
JGD (Mossvale) Limited ^{1 6}	Property development	Northern Ireland
JGD (The Mount) Limited ^{1 6}	Property development	Northern Ireland
Graham Projects Limited ^{2 7}	Building and civil engineering works	Republic of Ireland
John Graham Construction (Healthcare) Limited ^{2 6}	Healthcare Projects	Northern Ireland
Irish Waterways Limited ^{2 6}	Dormant	Northern Ireland
Northwin Holdings (Belfast) Limited ^{2 6}	Parent undertaking non-trading	Northern Ireland
Graham Asset Management (Ireland) Limited ^{4 7}	Facilities management services	Republic of Ireland
GIP (York) Limited ^{5 6}	Non trading	Northern Ireland
GIP Management Services Limited ^{5 6}	Management of PFI investments	Northern Ireland
GGF Developments Limited ^{5 6}	Non-trading	Northern Ireland
Northwin Developments (Belfast) Limited ^{3 6}	Property development	Northern Ireland
Northwin (Balmoral and Wellington) Limited ^{5 6}	Provision of an educational facility under PFI	Northern Ireland
Moss Lane Developments Limited ^{1 6}	Property development	Northern Ireland
Corrie Mains Mauchline Limited ^{1 8}	Property development	Northern Ireland

¹ held by John Graham Developments Limited

² held by John Graham Construction Limited

³ held by Northwin Holdings (Belfast) Limited

⁴ held by Graham Asset Management Limited

⁵ held by Graham Investment Projects Limited

⁶ Registered Office: 5 Ballygowan Road, Hillsborough, Co. Down, BT26 6HX.

⁷ Registered Office: 1 Northwood Court, Northwood, Santry, Dublin 9.

⁸ Registered Office: 15 Atholl Crescent, Edinburgh, EH3 8HA.

Notes to the Financial Statements (continued)

at 31 March 2020

13. Investments (continued)

Joint Ventures

Group

<i>Joint Venture</i>	<i>Principal activity</i>	<i>Direct or indirect holding</i>	<i>Equity holding</i>
Kier Graham Defence Limited	Non - Trading	Indirect	50%*
Graham Vermont PRS Limited	Non - Trading	Indirect	51%*

* held by John Graham Construction Limited.

The registered office for Kier Graham Defence Limited is Tempsford Hall, Station Road, Sandy, Bedfordshire, SG19 2BD.

The registered office for Graham Vermont PRS Limited is Unit 4 Digital Park, Pacific Way, Salford, M50 1DR

The results for all joint ventures are to 31 March each year.

14. Stocks

Group

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	298	187
Development land stock	715	1,123
	<u>1,013</u>	<u>1,310</u>

Stocks recognised as an expense in the period were Nil (2019: Nil) for the group and nil for the parent company (2019: Nil).

Notes to the Financial Statements (continued)

at 31 March 2020

15. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Amounts receivable in less than one year:</i>				
Trade debtors	80,099	60,029	–	–
Amounts owed by group undertakings	–	–	111	111
Amounts recoverable on long term contracts	121,547	135,179	–	–
Other debtors	201	23	–	–
Corporation tax	1,375	–	–	–
VAT	98	481	–	–
Prepayments and accrued income	18,470	18,080	–	–
Loans and loan notes*	–	29	–	–
	<u>221,790</u>	<u>213,821</u>	<u>111</u>	<u>111</u>
<i>Amounts receivable in more than one year:</i>				
Loans and loan notes*	–	538	–	–
	<u>–</u>	<u>538</u>	<u>–</u>	<u>–</u>

Amounts owed by group undertakings are interest free and repayable on demand.

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

16. Current asset investments

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Listed investments:		
Cost at start and end of year	–	7
	<u>–</u>	<u>7</u>

The market value of listed investments as at 31 March 2020 was £nil (2019 – £7k).

Notes to the Financial Statements (continued)

at 31 March 2020

17. Cash at bank and in hand

A balance of £73m (2019 - £63m) is included within cash at bank and in hand.

Within this is a balance of £1.9m (2019 – £1.8m) is included within cash at bank and in hand over which a fixed charge is held.

Included within the above balance of £1.9m are deposits totalling £1.5m (2019 – £1.5m) 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

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts (note 20)	397	476	–	–
Trade creditors and accruals	209,813	209,897	–	–
Deferred Income	1,119	1,773	–	–
Corporation tax	218	85	–	–
VAT	6,212	4,352	–	–
Other creditors	4,024	4,316	–	–
Payments on account	20,600	9,405	–	–
Hire purchase and finance lease creditors (note 21)	1,494	1,544	–	–
	<u>243,877</u>	<u>231,848</u>	<u>–</u>	<u>–</u>

Amounts owed to group undertakings are interest free and repayable on demand.

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

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Obligations under hire purchase contracts (note 21)	1,406	2,150
Bank loans (note 20)	3,991	4,624
	<u>5,397</u>	<u>6,774</u>

Notes to the Financial Statements (continued)

at 31 March 2020

20. Loans

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
<i>Amounts payable:</i>		
Within one year or on demand	397	476
In one to two years	405	485
In two to five years	1,218	1,335
Over five years	2,368	2,804
	<u>4,388</u>	<u>5,100</u>
Less: amounts due within one year or on demand	(397)	(476)
	<u>3,991</u>	<u>4,624</u>

Loans payable in more than five years

Interest on variable rate loans is charged at Danske Bank base rate plus 1% or EURIBOR plus 1%.
Loans are repayable in monthly instalments.

Security

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

21. Obligations under finance leases and hire purchase contracts

	<i>Plant and Machinery</i>	<i>IT & office equipment</i>	<i>Plant and Machinery</i>	<i>IT & office equipment</i>
	<i>2020</i>	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Amounts payable:</i>				
Within one year	1,483	11	1,534	10
In one to five years	1,399	7	2,132	18
	<u>2,882</u>	<u>18</u>	<u>3,666</u>	<u>28</u>

Notes to the Financial Statements (continued)

at 31 March 2020

22. Provisions for liabilities

<i>Group</i>	<i>Lifecycle provision</i>	<i>Short-term employee benefits</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 April 2019	1,516	–	1,516
Movement in provision	270	–	270
Utilisation	(296)	–	(296)
At 31 March 2020	<u>1,490</u>	<u>–</u>	<u>1,490</u>

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.

23. Deferred tax

<i>Group</i>	<i>£000</i>
At 1 April 2019	109
Charged to Profit and Loss Account	(3)
Charged to OCI - other timing differences	(36)
At 31 March 2020 (note 8 (c))	<u>71</u>

Notes to the Financial Statements (continued)

at 31 March 2020

24. Accruals and deferred income

<i>Group</i>	<i>£000</i>
At 1 April 2019	666
Release to profit and loss	(67)
At 31 March 2020	<u>599</u>

25. Financial Instruments

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Financial assets		
Financial assets measured at fair value through profit or loss	72,940	62,926
Financial assets that are debt instruments measured at amortised cost	<u>80,099</u>	<u>60,596</u>
	<u>153,039</u>	<u>123,522</u>
Financial liabilities		
Financial liabilities that are debt instruments measured at amortised cost	<u>67,733</u>	<u>67,398</u>
	<u>67,733</u>	<u>67,398</u>

26. Issued share capital

<i>Group and company</i>		<i>2020</i>		<i>2019</i>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	52,250	52	52,250	52
'A' ordinary shares of 5p each	55,005	<u>3</u>	55,005	<u>3</u>
		<u>55</u>		<u>55</u>

'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 2020

27. Notes to the statement of cash flows

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

	2020	2019
	£000	£000
Operating Profit	11,266	7,983
Depreciation	4,312	3,987
Profit on sale of fixed assets	(320)	(240)
Amortisation of intangible assets	769	602
Decrease in stock	297	350
Increase in debtors	(6,496)	(21,965)
Increase in creditors	12,550	9,464
Deferred income movement	(721)	1,683
Movement in provisions	(25)	(102)
Foreign exchange	3	(15)
Difference between pension charge and cash contributions	(344)	90
Net cash inflow from operating activities	21,291	1,837
Taxation paid	(3,470)	(2,334)
Total	<u>17,821</u>	<u>(497)</u>

(b) Analysis of net funds

	<i>At 1 April</i>		<i>Other non-</i>	<i>Exchange</i>	<i>At</i>
	<i>2019</i>	<i>Cash flow</i>	<i>cash</i>	<i>movement</i>	<i>31 March</i>
	<i>£000</i>	<i>£000</i>	<i>changes</i>	<i>£000</i>	<i>2020</i>
			<i>£000</i>		<i>£000</i>
Cash at bank and in hand	62,926	9,957	–	57	72,940
Hire purchase agreements	(3,694)	1,724	(930)	–	(2,900)
Short-term loans	(476)	79	–	–	(397)
Long-term loans	(4,625)	643	–	(9)	(3,991)
Current asset investments	7	(7)	–	–	–
	<u>54,138</u>	<u>12,396</u>	<u>(930)</u>	<u>48</u>	<u>65,652</u>

Notes to the Financial Statements (continued)

at 31 March 2020

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 2020 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 2020; 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 2020. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the schemes for FRS 102 purposes were:

(a) Financial assumptions

John Graham (Dromore) Limited Pension and Life Assurance Scheme

	2020 (% p.a.)	2019 (% p.a.)
Retail price inflation (RPI) assumption	2.65	3.25
Consumer price index (CPI) assumption	1.65	2.25
Rate of increases of pensions in payment:		
prior to 6 April 1997	3.00	3.00
after 5 April 1997	3.65	3.65
Discount rate for scheme liabilities	2.45	2.35

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over actual asset allocation for the scheme at 5 April 2020. The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 63 will live on average for a further 24 years if they are male and for a further 26 years if they are female. For a member who retires in 18 years at age 63 the assumptions are that they will live on average for a further 25 years after retirement if they are male and for a further 28 years if they are female.

Notes to the Financial Statements (continued)

at 31 March 2020

28. Pensions (continued)

The valuation under FRS 102 at 31 March 2020 shows a net pension asset (before deferred tax) of £1,614k (2019 – £1,586k).

Graham Asset Management Limited Pension and Life Assurance Scheme

	<i>2020</i>	<i>2019</i>
	<i>(% p.a.)</i>	<i>(% p.a.)</i>
Rate of increase in salaries	3.60	4.25
Retail price inflation (RPI) assumption	2.60	3.25
Consumer price index (CPI) assumption	1.60	2.25
Rate of increase of pensions in payment	2.60	3.15
Discount rate for scheme liabilities	2.45	2.40

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

The valuation under FRS 102 at 31 March 2020 shows a net pension surplus (before deferred tax) of £374k (2019 – net pension surplus of £248k).

(b) Scheme assets at fair value

	<i>Value at</i>	<i>Value at</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Equities	12,763	10,735
Corporate bonds	1,401	3,233
Gilts	4,036	3,594
Cash and other	2,506	3,164
Assets held in respect of insured pensioners	4,343	4,548
Total fair value of scheme assets	25,049	25,274
Present value of scheme liabilities	(23,061)	(23,440)
	<u>1,988</u>	<u>1,834</u>

Notes to the Financial Statements (continued)

at 31 March 2020

28. Pensions (continued)

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

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Past service cost	–	395
Current service cost	33	47
Administration costs	33	29
Net interest (credited) on pension scheme liability	(46)	(12)
Total cost recognised in the profit and loss	<u>20</u>	<u>459</u>

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

<i>Group</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Actual return less expected return on pension scheme assets	(754)	758
Experience gains and losses arising on the scheme liability	50	10
Changes in assumptions underlying the present value of the scheme liability	514	(438)
Actuarial (loss)/gain recognised in the statement of Comprehensive Income	<u>(190)</u>	<u>330</u>

(e) Changes in the present value of the defined benefit obligations

<i>Group and Company</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Opening defined benefit obligation	23,440	22,404
Past service cost	–	395
Current service cost	33	47
Member contributions	4	4
Interest on liabilities	548	571
Benefits paid	(400)	(409)
Actuarial (gains) and losses	(564)	428
Closing defined benefit obligation	<u>23,061</u>	<u>23,440</u>

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 2020

28. Pensions (continued)

(f) Changes in the fair value of scheme assets	2020	2019
<i>Group and Company</i>	<i>£000</i>	<i>£000</i>
Opening value of assets	25,274	24,005
Expected return on plan assets	594	583
Benefits paid	(400)	(409)
Member contributions	4	4
Employer contributions	364	362
Administration expenses	(33)	(29)
Actuarial gains and losses	(754)	758
Value of assets	<u>25,049</u>	<u>25,274</u>

(g) Analysis of movement in surplus during the year

<i>Group</i>	2020	2019
	<i>£000</i>	<i>£000</i>
Surplus in scheme at beginning of the year	1,834	1,601
Past service cost	–	(395)
Current service cost	(33)	(47)
Contributions	364	362
Net interest income	46	12
Administration expenses	(33)	(29)
Actuarial gain	(190)	330
Surplus in scheme at end of the year	<u>1,988</u>	<u>1,834</u>

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 £35,000 during year ended 31 March 2020 (2019 – £33k). Regular employer contributions during year ended 31 March 2021 are estimated to be £35,000.

Contributions to the John Graham (Dromore) Limited Pension and Life Assurance Scheme were £27,400 per month. Regular employer contributions during year ended 31 March 2021 are estimated to be £329k.

Notes to the Financial Statements (continued)

at 31 March 2020

28. Pensions (continued)

(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 its contribution set out in the relevant contracts and hence these are accounted for as Defined Contribution schemes. The company made contributions of £842k to these schemes during the year and there were £136k of contributions outstanding at the year end.

29. Other financial commitments

At 31 March 2020 the company had future minimum lease payments payable under non-cancellable operating leases as set out below:

	<i>Property</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Property</i>	<i>Office equipment</i>	<i>Motor vehicles</i>
	<i>2020</i>	<i>2020</i>	<i>2020</i>	<i>2019</i>	<i>2019</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases:						
Within one year	798	115	934	844	174	1,085
In one to five years	1,028	340	1,090	952	112	1,706
Over five years	–	43	–	–	–	–
	<u>1,826</u>	<u>498</u>	<u>2,024</u>	<u>1,796</u>	<u>286</u>	<u>2,791</u>

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.

Notes to the Financial Statements (continued)

at 31 March 2020

31. Off-balance sheet arrangements

The group and parent company enters into operating lease arrangements for the hire of buildings and plant and equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The group lease rental expense for the year is disclosed in Note 3 and the group and company commitments under these arrangements are disclosed in Note 29. There are no other material off-balance sheet arrangements.

32. Related party transactions

The Company has taken advantage of the exemption available under paragraph 33.1A of FRS 102, whereby it has not disclosed transaction with any wholly owned subsidiary undertakings of the group.

In the normal course of business, Graham Asset Management Ltd provides facilities management and management services on an arms-length basis to Joint Ventures. The total services provided by the business to Joint Ventures amounted to £540k (2019: £642k). Amounts due from the Joint Ventures at the year-end were £111k (2019: £104k).

In the normal course of business, John Graham Construction Ltd provides construction services on an arms-length basis to Joint Ventures. The total services provided by the business to Joint Ventures amounted to £28,432k (2019: £19,788k). Amounts due from the Joint Ventures at the year-end were £2,709k (2019: £270k).

33. Ultimate parent undertaking and controlling party

There is no ultimate controlling party of the Company.