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**John Graham Holdings Limited**

**Report and Financial Statements**

**31 March 2013**

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**Directors**

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

**Secretary**

Steven H Creighton

**Auditors**

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

**Bankers**

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

**Solicitors**

Pinsent Masons LLP  
12-16 Bridge Street  
Belfast  
County Antrim BT1 1LS

**Registered Office**

5 Ballygowan Road  
Hillsborough  
County Down BT26 6HX

## Directors' Report

REGISTERED No. NI 057921

The directors present their report and financial statements for the year ended 31 March 2013.

### Results and dividends

The group profit for the year after taxation amounted to £5,979 (2012 – profit of £3,352k). During the year dividends of £1m were proposed and paid (2012 – £1m). Retained profits carried forward are £33.7m (2012 – profit of £28.7m).

### Principal activities and review of the business

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

### Financial performance

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

	2013 £000	2012 £000
Group turnover and share of joint venture turnover	321,580	266,551
Profit on ordinary activities before taxation	6,772	4,719

The overall Group results grew on the previous year, with improved performance across a number of business units. Management deem this performance to be strong given the underlying trading conditions faced by those businesses servicing the infrastructure markets.

### Future developments

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

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

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## Directors' Report (continued)

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### Future developments (continued)

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

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

### Principal risks and uncertainties

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

#### ***Health and safety risk***

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

#### ***Business performance risk***

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

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

#### ***Business control***

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

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

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## Directors' Report (continued)

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### Principal risks and uncertainties (continued)

#### ***Business control (continued)***

The Group exercises financial and business control through a combination of: qualified and experienced financial teams; performance analysis; budgeting and cash flow forecasting; and clearly defined approval limits. External advisors provide advice on specific accounting and tax issues as they arise.

#### ***Management development***

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

### Financial risk management

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

#### ***Foreign currency risk***

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

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

#### ***Credit risk***

Credit risk arises principally on 3rd 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.

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## Directors' Report (continued)

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### Financial Risk Management (continued)

#### *Interest rate risk*

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

#### *Market price risk*

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

### Going concern

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

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

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

### Directors

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

Michael E J Graham  
Andrew K Bill  
Alan K Bill  
Steven H Creighton  
Colin J Graham  
Robin N Graham  
Ian M Grice  
David S Watters

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## Directors' Report (continued)

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### Political and charitable contributions

During the year the company made no political contributions.

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

### Employee involvement

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

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

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

### Disclosure of information to the auditors

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

### Auditors

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

On behalf of the Board

*S CREIGHTON*

Director

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## Statement of Directors' Responsibilities

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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## Independent auditor's report

### to the members of John Graham Holdings Limited

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We have audited the financial statements of Report and Financial Statements for the year ended 31 March 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent undertaking's affairs as at 31 March 2013 and of the Group's profit for the year then ended;

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## Independent auditor's report (continued)

### to the members of John Graham Holdings Limited

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- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

#### **Matters on which we are required to report by exception**

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

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

#### *Ernst & Young*

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

17 September 2013

#### 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 2013

		2013	2012
	Notes	£000	£000
<b>Turnover</b>			
Group and share of joint venture's turnover		321,580	266,551
Less: share of turnover of joint ventures		(2,121)	(2,355)
	2	319,459	264,196
Cost of sales		(296,107)	(242,981)
		23,352	21,215
<b>Gross profit</b>			
Administrative expenses		(19,918)	(16,265)
Impairment of land and buildings		-	(1,468)
Other operating income	3b	2,080	74
	3a	5,514	3,556
<b>Group operating profit</b>			
Profit on sale of joint venture/investment	12	949	500
Share of operating profit in joint ventures		210	336
		6,673	4,392
<b>Profit on ordinary activities before finance charges</b>			
Interest receivable and similar income - group		1,594	2,005
- joint ventures		10	18
		1,604	2,023
Interest payable and similar charges - group	6	(1,423)	(1,587)
- joint ventures		(82)	(109)
		(1,505)	(1,696)
		6,772	4,719
<b>Profit on ordinary activities before taxation</b>			
Tax	7	(793)	(1,367)
	24	5,979	3,352
<b>Profit for the financial year</b>			

All amounts relate to continuing activities.

## Group Statement of total recognised gains and losses for the year ended 31 March 2013

		2013	2012
	Notes	£000	£000
Profit for the financial year excluding share of joint ventures		5,894	3,173
Share of joint ventures' profit for the year		85	179
Profit for the financial year		5,979	3,352
Net actuarial loss recognised in respect of pension scheme	26	(147)	(1,209)
Deferred tax credit arising on net actuarial losses	7	34	290
Currency adjustments on retranslation of foreign subsidiaries		37	(189)
<b>Total recognised gains and losses relating to the year</b>		<b>5,903</b>	<b>2,244</b>

## Group Note of historical cost profit and loss for the year ended 31 March 2013

	2013	2012
	£000	£000
<b>Reported profit on ordinary activities before taxation</b>	6,772	4,719
<b>Historical cost profit on ordinary activities before taxation</b>	6,772	4,719
<b>Historical cost profit retained for the year after taxation</b>	<b>5,979</b>	<b>3,352</b>

## Group Balance Sheet

at 31 March 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Intangible assets	10	1,712	1,844
Tangible fixed assets	11	22,316	20,982
Investment properties	11	1,079	1,079
Investments - joint ventures: share of gross assets	12	1,203	1,819
share of gross liabilities	12	(993)	(1,794)
		210	25
Loan to joint venture	12	1,255	1,157
Investments - other	12	18	26
		26,590	25,113
<b>Current assets</b>			
Stocks	13	2,324	3,163
Debtors: amounts receivable in less than one year	14	70,334	54,240
Debtors: amounts receivable in more than one year	14	19,678	21,749
		90,012	75,989
Investments	15	13	763
Cash at bank and in hand	16	28,797	31,973
		121,146	111,888
<b>Creditors: amounts falling due within one year</b>	17	(84,340)	(77,932)
		36,806	33,956
<b>Total assets less current liabilities</b>			
		63,396	59,069
<b>Creditors: amounts falling due after more than one year</b>	18	(22,774)	(23,555)
Deferred income	22	(1,063)	(1,129)
<b>Provisions for liabilities</b>	21	(3,653)	(3,282)
<b>Net assets excluding pension liability</b>		35,906	31,103
Pension liability	26	(675)	(775)
<b>Net assets including pension liability</b>		35,231	30,328
<b>Capital and reserves</b>			
Called up share capital	23	55	55
Revaluation reserve	23	1,504	1,566
Capital redemption reserve	23	45	45
Profit and loss account	23	33,627	28,662
<b>Shareholders' funds</b>	23	35,231	30,328

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

M GRAHAM

Director

## Company Balance Sheet

at 31 March 2013

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Investments	12	44,184	44,184
<b>Current assets</b>			
Debtors	14	110	1,236
Cash at bank and in hand		328	-
		438	1,236
<b>Net assets</b>		44,622	45,420
<b>Capital and reserves</b>			
Called up share capital	23	55	55
Merger reserve	23	35,945	35,945
Other capital reserve	23	-	943
Profit and loss account	23	8,622	8,477
<b>Shareholders' funds</b>	23	44,622	45,420

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

**M GRAHAM**  
Director

## Group Statement of Cash Flows

for the year ended 31 March 2013

	2013	2012
Note	£000	£000
<b>Net cash (outflow)/inflow from operating activities</b>	25 (42)	4,512
<b>Returns on investment and servicing of finance</b>		
Interest received	1,534	2,028
Interest paid	(1,333)	(1,596)
Interest element of hire purchase rental	(33)	(19)
<b>Net cash inflow from returns on investments and servicing of finance</b>	168	413
<b>Taxation</b>		
Corporation tax	(940)	(1,125)
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(2,920)	(2,891)
Receipts from sales of tangible fixed assets	445	223
Receipts from sale of investment	-	500
Loans repaid from / provided to joint ventures, associates and investments	2,872	(1,561)
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	397	(3,729)
<b>Acquisitions and disposals</b>		
Receipt from sale of investment in joint venture	850	-
<b>Equity dividends paid</b>	(1,000)	(1,000)
<b>Net cash outflow from operating activities and before use of liquid resources and financing</b>	(567)	(929)
<b>Management of liquid resources</b>		
Decrease in short-term deposits	750	6,250
<b>Financing</b>		
Capital element of hire purchase rental	(276)	(275)
Net movement on loans	(3,107)	(1,710)
	(3,383)	(1,985)
<b>(Decrease)/increase in cash</b>	(3,200)	3,336

## Group Statement of Cash Flows (continued)

for the year ended 31 March 2013

### Reconciliation of net cash flow to movement in net funds

	2013	2012
	£000	£000
<b><i>(Decrease)/Increase in cash in the year</i></b>	(3,200)	3,336
Cash outflow re capital element of hire purchase rental	276	275
Cash inflow from movement in liquid resources	(750)	(6,250)
Cash outflow from decrease in debt	3,107	1,710
Change in net funds resulting from cash flows	(567)	(929)
New finance leases	(997)	-
Translation difference	3	12
<b><i>Movement in net funds in the year</i></b>	(1,561)	(917)
<b><i>Net funds/(debt) at 1 April</i></b>	5,899	6,816
<b><i>Net funds at 31 March</i></b>	4,338	5,899



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## Notes to the financial statements

at 31 March 2013

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### 1. Accounting policies

#### *Basis of preparation*

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

#### *Group financial statements*

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2013. No Profit and Loss account is presented for John Graham Holdings Limited as permitted by section 408 of the Companies Act 2006.

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

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

#### *Turnover*

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

#### *FRS 5 'Reporting the substance of transactions'*

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

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## Notes to the financial statements (continued)

at 31 March 2013

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### 1. Accounting policies (continued)

#### *Goodwill*

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

#### *Tangible fixed assets*

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

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

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

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

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

#### *Investment properties*

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

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## Notes to the financial statements (continued)

at 31 March 2013

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### 1. Accounting policies (continued)

#### *Investment properties continued*

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

#### *Investments*

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

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

#### *Stocks*

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

#### *Joint arrangements*

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

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## Notes to the financial statements (continued)

at 31 March 2013

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### 1. Accounting policies (continued)

#### *Deferred taxation*

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

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

#### *Foreign currencies*

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

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## Notes to the financial statements (continued)

at 31 March 2013

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### 1. Accounting policies (continued)

#### *Leasing and hire purchase commitments*

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

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

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

#### *Pensions*

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

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

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

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## Notes to the financial statements (continued)

at 31 March 2013

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### 1. Accounting policies (continued)

#### *Pensions (continued)*

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

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

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

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

#### *Long-term contracts*

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

#### *Provisions for liabilities*

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

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

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

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## Notes to the financial statements (continued)

at 31 March 2013

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### 1. Accounting policies (continued)

#### *Capitalisation of Interest*

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

Interest is capitalised before any allowances for tax relief.

## Notes to the financial statements (continued)

at 31 March 2013

### 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 2013 amounted to £9.1m (2012 – £5.8m).

Turnover, Group profit on ordinary activities before tax and Net assets are analysed as follows:

#### Area of activity – year ended 31 March 2013

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

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



## Notes to the financial statements (continued)

at 31 March 2013

### 2 Turnover (continued)

*Area of activity – year ended 31 March 2012*

	Construction	Asset management	Investment projects	Developments	Total
	£000	£000	£000	£000	£000
<b>Turnover</b>	224,938	37,535	6,506	1,336	270,315
Inter-segment sales	(705)	(4,214)	-	(1,200)	(6,119)
Sales to third parties	224,233	33,321	6,506	136	264,196
<b>Segment profit</b>	3,666	1,423	2,089	(1,393)	5,785
Common costs					(1,729)
Group operating profit including profit on disposal of investment*					4,056
Share of operating profit of joint ventures					336
Net interest					327
Profit on ordinary activities before taxation					4,719
<b>Net assets</b>	19,004	4,824	9,547	(3,072)	30,303
<b>Share of joint ventures</b>					25
<b>Total net assets</b>					30,328

\* The profit on disposal of investment is included within the Investment projects segment profit.

## Notes to the financial statements (continued)

at 31 March 2013

### 3. Group operating profit

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

	2013	2012
	£000	£000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts;	8	8
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries, pursuant to legislation	65	60
- Audit related assurance services	15	2
- Taxation compliance services	5	5
Fees in respect of the Graham Asset Management Limited pension scheme:		
- Audit	3	3
Depreciation of owned fixed assets	2,398	2,003
Depreciation of assets held under finance leases and hire purchase contracts	132	196
	<u>2,530</u>	<u>2,199</u>
Property rental	410	343
Other operating leases	454	161
Rental income, net of outgoings	(77)	(72)
Amortisation of goodwill	132	132
Other operating income (note 3(b))	2,080	74
Profit on sale of fixed assets	<u>(392)</u>	<u>(189)</u>

(b) Other operating income

	2013	2012
	£000	£000
Profit on sale of investments	2,021	-
Other	59	74
	<u>2,080</u>	<u>74</u>

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

## Notes to the financial statements (continued)

at 31 March 2013

### 4. Directors' remuneration

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Remuneration	827	798
Company contributions to money purchase pension scheme	228	220
Amounts paid to third parties for services as directors	83	82
	<u>1,138</u>	<u>1,100</u>

	<i>No.</i>	<i>No.</i>
Number of directors to whom benefits are accruing under defined benefit schemes	<u>5</u>	<u>5</u>

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Amounts attributable to the highest paid director:		
Remuneration for service as executive	202	209
Company contributions to money purchase pension scheme	59	39
Accrued annual pension	<u>13</u>	<u>13</u>

### 5. Staff costs

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	43,380	35,933
Social security costs	4,189	3,659
Pension contribution	<u>3,291</u>	<u>2,640</u>
	<u>50,860</u>	<u>42,232</u>

The average monthly number of persons employed by the Group (including directors) during the year was 1,418 (2012 – 1,256).

## Notes to the financial statements (continued)

at 31 March 2013

### 6. Interest payable and similar charges

	2013	2012
	£000	£000
Bank loans and overdrafts	1,336	1,546
Finance charges under finance leases and hire purchase contracts	33	19
	1,369	1,565
Expected return on pension scheme assets (note 26)	(745)	(778)
Interest on pension scheme liability (note 26)	799	800
Net cost (note 26)	54	22
	1,423	1,587

### 7. Tax

#### (a) Tax on profits on ordinary activities

The tax charge is made up as follows:

	2013	2012
	£000	£000
<b>Current tax:</b>		
UK corporation tax on profits for the year	840	1,384
Adjustments in respect of previous periods	(726)	(293)
Foreign (Republic of Ireland) tax on profits of the current year	62	74
Total current tax (note 7(b))	176	1,165
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(36)	(385)
Timing differences arising from FRS17 pension adjustments	75	133
Effect of rate changes	25	48
Adjustment in respect of previous periods	500	340
Total deferred tax	564	136
Share of associates and joint venture tax	53	66
Tax on profit on ordinary activities	793	1,367

## Notes to the financial statements (continued)

at 31 March 2013

### 7. Tax (continued)

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

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24% (2012 – 26%). The differences are explained below:

	2013	2012
	£000	£000
Profit on ordinary activities before tax	6,772	4,719
Deduct share of joint ventures profit before tax	(138)	(245)
Group profit on ordinary activities before tax	<u>6,634</u>	<u>4,474</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 – 26%)	1,592	1,163
<i>Effects of:</i>		
Expenses not deductible net of income not chargeable for tax purposes	170	119
Income not taxable	-	(40)
Tax relief on substantial shareholdings	(713)	-
Entitlement to indexation allowance	(75)	-
Depreciation for period in excess of capital allowances	(78)	(147)
Pension timing differences	(69)	(136)
Utilisation of tax losses	124	481
Other timing differences	(27)	14
Lower Irish tax rates on subsidiary results (net of remittances)	(54)	(30)
Amortisation of goodwill	32	34
Adjustments in respect of previous periods	(726)	(293)
Current tax for the year (note 7(a))	<u>176</u>	<u>1,165</u>

(c) Deferred tax

	2013	2012
	£000	£000
Decelerated capital allowances	(131)	(232)
Short term timing differences	10	(32)
Losses	(143)	(487)
Other timing differences	(37)	(40)
Pension provisions	(201)	(242)
	<u>(502)</u>	<u>(1,033)</u>
Shown against pension provision (note 26)	201	242
Shown in debtors (note 14)	<u>(301)</u>	<u>(791)</u>

## Notes to the financial statements (continued)

at 31 March 2013

### 7. Tax (continued)

(c) Deferred tax (continued)

<i>Group</i>	<i>£000</i>
At 1 April 2012	(1,033)
Charge to profit and loss account:	
current year	40
impact of rate change	25
prior periods	500
Credit to statement of total recognised gains and losses	(34)
At 31 March 2013	<u>(502)</u>

The group applies FRS 17 'Retirement Benefits'. As a result, the pension related deferred tax asset is included on the face of the Balance Sheet under the heading 'Pension Liability'. The total movement for the year amounted to a charge of £41k (2012 – credit of £156k) with a charge to the Profit and Loss account of £75k inclusive of rate adjustment (2012 – charge of £133k) and a credit to the Statement of Total Recognised Gains and Losses of £34k (2012 – credit of £290k).

(d) Factors that may affect future tax charges

Finance Act 2012 provided that the main rate of corporation tax would be reduced to 23% from 1 April 2013.

In the March 2013 Budget it was announced that the main rate of corporation tax would be reduced to 21% from 1 April 2014. There will be a further 1% reduction to bring the main rate of corporation tax down to 20% from 1 April 2015, although these changes in rates are not enacted at the balance sheet date

Future tax charges will be affected by the level of capital expenditure and the continued level of profits earned by ROI subsidiaries.

### 8. Profit attributable to members of parent undertaking

The Parent undertaking's profit after tax for the financial year amounted to £202k (2012 – profit of £996k).

## Notes to the financial statements (continued)

at 31 March 2013

### 9. Dividends

	2013 £000	2012 £000
<i>Equity dividends on ordinary shares:</i>		
1st interim dividend for 2013 – £4.54 per share (2012 - £3.86 per share)	237	202
2nd interim dividend for 2013 – £4.54 per share (2012 - £3.86 per share)	237	202
3rd interim dividend for 2013 – £4.54 per share (2012 - £3.86 per share)	237	202
Final dividend for 2013 – £4.54 per share (2012 - £6.59 per share)	237	344
<i>Equity dividends on 'A' ordinary shares:</i>		
1st interim dividend for 2013 – £0.23 per share (2012 - £0.19 per share)	13	11
2nd interim dividend for 2013 – £0.23 per share (2012 - £0.19 per share)	13	11
3rd interim dividend for 2013 – £0.23 per share (2012 - £0.19 per share)	13	10
Final dividend for 2013 – £0.23 per share (2012 - £0.33 per share)	13	18
	<u>1,000</u>	<u>1,000</u>

### 10. Intangible fixed assets

<i>Group</i>	<i>Goodwill</i> £000
Cost:	
At 1 April 2012 and 31 March 2013	<u>2,672</u>
Amortisation:	
At 1 April 2012	828
Charge in the year	132
At 31 March 2013	<u>960</u>
Net book value:	
At 31 March 2013	<u>1,712</u>
At 1 April 2012	<u>1,844</u>

The goodwill which arose on acquisitions in prior years is being amortised on a straight line basis over its estimated useful economic life of 20 years.

## Notes to the financial statements (continued)

at 31 March 2013

### 11. Tangible fixed assets

<i>Group</i>	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Office, equipment and computer software £000</i>	<i>Total £000</i>
Cost:				
At 1 April 2012	18,671	14,220	3,327	36,218
Translation adjustment	-	-	4	4
Additions	-	2,539	1,378	3,917
Disposals	-	(1,923)	(426)	(2,349)
At 31 March 2013	<u>18,671</u>	<u>14,836</u>	<u>4,283</u>	<u>37,790</u>
Depreciation:				
At 1 April 2012	2,473	10,543	2,220	15,236
Translation adjustment	-	-	4	4
Charge for the year	428	1,531	571	2,530
Disposals	-	(1,872)	(424)	(2,296)
At 31 March 2013	<u>2,901</u>	<u>10,202</u>	<u>2,371</u>	<u>15,474</u>
Net book value:				
At 31 March 2013	<u>15,770</u>	<u>4,634</u>	<u>1,912</u>	<u>22,316</u>
At 1 April 2012	<u>16,198</u>	<u>3,677</u>	<u>1,107</u>	<u>20,982</u>

Included within land and buildings is £143k (2012 – £143k) of capitalised interest.

Included within office equipment and computer software cost is £533k of assets in the course of construction. These assets have not been depreciated as they have not been brought into use at year end.

The Balance Sheet value of fixed assets includes £1.3m (2012 – £0.7m) in respect of assets held under hire purchase contracts. Fully depreciated assets costing approximately £8.3m (2012 – £8.2m) are included in fixed assets.

#### **Investment properties**

<i>Group</i>	<i>£000</i>
Valuation:	
At 1 April 2012 and 31 March 2013	<u><u>1,079</u></u>



## Notes to the financial statements (continued)

at 31 March 2013

### 12. Investments

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Joint ventures (a)	261	25
Loans to joint ventures (a)	1,255	1,157
Other investments (c)	18	26
 <i>Company</i>	 <i>2013</i>	 <i>2012</i>
	<i>£000</i>	<i>£000</i>
Subsidiaries (b)	<u>44,184</u>	<u>44,184</u>

(a) Group

#### **Joint ventures**

	<i>£000</i>
At 1 April 2012	25
Share of profit retained by joint venture	85
Disposals	<u>100</u>
At 31 March 2013	<u>210</u>

Graham Investment Projects Limited disposed of a joint venture investment during the year for a cash consideration of £849k, resulting in a profit on disposal of £949k against the share of net liabilities of £100k.

## Notes to the financial statements (continued)

at 31 March 2013

### 12. Investments (continued)

	2013 £000	2012 £000
Share of assets:		
Fixed assets	11	145
Current assets	1,192	1,674
	<u>1,203</u>	<u>1,819</u>
Share of liabilities:		
Liabilities due within one year	(993)	(1,244)
Liabilities due after one year or more	-	(550)
	<u>(993)</u>	<u>(1,794)</u>
	<u>210</u>	<u>25</u>

### Loans to joint ventures

	£000
At 1 April 2012	1,157
Additions	98
At 31 March 2013	<u>1,255</u>

### (b) Company

	£000
Shares in subsidiaries - cost and net book value:	
At 1 April 2012 and 31 March 2013	<u>44,184</u>

### (c) Group

	£000
Shares in other investments at cost:	
At 1 April 2012	26
Disposals	(8)
At 31 March 2013	<u>18</u>

Other investments with a book value of £8k were disposed of during the year for a cash consideration of £2,029k, to give a profit on disposal of £2,021k.

## Notes to the financial statements (continued)

at 31 March 2013

### 12. Investments (continued)

#### Subsidiaries

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

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

## Notes to the financial statements (continued)

at 31 March 2013

### 12. Investments (continued)

#### *Subsidiaries continued*

<sup>1</sup> held by John Graham Developments Limited

<sup>2</sup> held by John Graham Construction Limited (formerly John Graham (Dromore) Limited)

<sup>3</sup> held by GIP One Limited

<sup>4</sup> held by Northwin Intermediate (Belfast) Limited

<sup>5</sup> held by Northwin Holdings (Belfast) Limited

<sup>6</sup> held by Graham Asset Management Limited

<sup>7</sup> held by Graham Investment Projects Limited

#### *Joint ventures*

##### *Group*

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

\* held by Graham Investment Projects Limited

\*\* held by John Graham Developments Limited

All joint ventures are incorporated in Northern Ireland. The results for all joint ventures are to 31 March each year.

### 13. Stocks

<i>Group</i>	<i>2013 £000</i>	<i>2012 £000</i>
Raw materials and consumables	584	1,121
Development land stock	1,740	2,042
	<u>2,324</u>	<u>3,163</u>

## Notes to the financial statements (continued)

at 31 March 2013

### 14. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Amounts receivable in less than one year:</i>				
PFI debtor	878	878	–	–
Trade debtors	10,670	10,147	–	–
Amounts owed by group undertakings	–	–	110	1,236
Amounts recoverable on long term contracts	49,935	32,073	–	–
Other debtors	243	345	–	–
Corporation tax recoverable	444	236	–	–
Deferred tax	301	791	–	–
Prepayments and accrued income	6,420	6,551	–	–
Loans and loan notes*	1,443	3,219	–	–
	<u>70,334</u>	<u>54,240</u>	<u>110</u>	<u>1,236</u>
<i>Amounts receivable in more than one year:</i>				
PFI debtor	16,640	17,517	–	–
Loans and loan notes*	3,038	4,232	–	–
	<u>19,678</u>	<u>21,749</u>	<u>–</u>	<u>–</u>

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

### 15. Current asset investments

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Listed investments:		
Cost at start and end of year	13	13
Other investments	–	750
	<u>13</u>	<u>763</u>

The market value of listed investments as at 31 March 2013 was £12k (2012 – £10k). Other investments represent short-term deposits recognised as current asset investments.

## Notes to the financial statements (continued)

at 31 March 2013

### 16. Cash at bank and in hand

A balance of £8,527k (2012 – £5,397k) is included within cash at bank and in hand over which a fixed charge is held.

Included within cash at bank and in hand are deposits totalling £1,396,277 (2012 – £397,072) in relation to payments in advance by a customer. These deposits are held in the relevant group undertakings name and can only be used subject to customer agreement.

### 17. Creditors: amounts falling due within one year

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Bank loans (note 19)	1,377	3,110
Trade creditors and accruals	76,465	67,016
Other taxation and social security costs	2,020	2,481
Corporation tax	–	556
Other creditors	1,014	1,411
Payments on account	3,143	3,186
Hire purchase and finance lease creditors (note 20)	321	172
	<u>84,340</u>	<u>77,932</u>

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

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Obligations under hire purchase contracts (note 20)	669	97
Bank loans and overdrafts (note 19)	22,105	23,458
	<u>22,774</u>	<u>23,555</u>

## Notes to the financial statements (continued)

at 31 March 2013

### 19. Loans

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Amounts payable:		
Within one year or on demand	1,377	3,110
In one to two years	1,678	1,586
In two to five years	5,452	5,200
Over five years	14,975	16,672
	<u>23,482</u>	<u>26,568</u>
Less: Amounts due within one year or on demand	(1,377)	(3,110)
	<u>22,105</u>	<u>23,458</u>

#### *Loans payable in more than five years*

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

#### *Security*

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

The above figures include £10,212,841 ( 2012 £10,998,636) with respect to the group providing an educational facility at Belfast Metropolitan College, under the Private Finance Initiative, Bank of Scotland (Ireland) Limited holds as security the following (without recourse to the rest of the Group):

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

With respect to the group providing an educational facility at North West Regional College, under the Private Finance Initiative, the bank loan of £4,896,700 (2012 £5,236,961) is secured by fixed and floating charges over the assets of the Northwin Limited (without recourse to the rest of the Group).

## Notes to the financial statements (continued)

at 31 March 2013

### 20. Obligations under finance leases and hire purchase contracts

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>

Analysis of obligations under hire purchase contracts:

Within one year	321	172
In one to two years	261	85
In two to five years	408	12
	<u>990</u>	<u>269</u>

### 21. Provisions for liabilities

<i>Group</i>	<i>Lifecycle Provision</i>	<i>Lease Provision</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 April 2012	3,139	143	3,282
Utilisation	(371)	(104)	(475)
Increase in provision	846	-	846
At 31 March 2013	<u>3,614</u>	<u>39</u>	<u>3,653</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.

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

### 22. Deferred income

<i>Group</i>	<i>£000</i>
At 1 April 2012	1,129
Release to profit and loss	(66)
At 31 March 2013	<u>1,063</u>



## Notes to the financial statements (continued)

at 31 March 2013

### 23. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2013</i>		<i>2012</i>	
		<i>£000</i>	<i>No.</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	52,250	52	52,250	52	
'A' ordinary shares of 5p each	55,005	3	55,005	3	
		<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'.

### 24. Reconciliation of shareholders' funds and movements on reserves

<i>Group</i>	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
At 1 April 2011	55	1,566	45	27,418	29,084
Profit for the year	–	–	–	3,352	3,352
Dividends Paid	–	–	–	(1,000)	(1,000)
Net actuarial loss	–	–	–	(1,209)	(1,209)
Deferred tax on actuarial loss	–	–	–	290	290
Retranslation of foreign subsidiary	–	–	–	(189)	(189)
At 1 April 2012	55	1,566	45	28,662	30,328
Profit for the year	–	–	–	5,979	5,979
Realisation of revaluation surplus	–	(62)	–	62	–
Dividends Paid	–	–	–	(1,000)	(1,000)
Net actuarial loss	–	–	–	(147)	(147)
Deferred tax on actuarial loss	–	–	–	34	34
Retranslation of foreign subsidiary	–	–	–	37	37
At 31 March 2013	<u>55</u>	<u>1,504</u>	<u>45</u>	<u>33,627</u>	<u>35,231</u>

## Notes to the financial statements (continued)

at 31 March 2013

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

<i>Company</i>	<i>Share capital</i>	<i>Merger reserve</i>	<i>Other capital reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 April 2011	55	35,945	943	8,481	45,424
Profit for the year	–	–	–	996	996
Dividends Paid	–	–	–	(1,000)	(1,000)
At 1 April 2012	55	35,945	943	8,477	45,420
Profit for the year	–	–	–	202	202
Transfer on impairment and repayment of intergroup balance	–	–	(943)	943	–
Dividends Paid	–	–	–	(1,000)	(1,000)
At 31 March 2013	55	35,945	–	8,622	44,622

### 25. Notes to the statement of cash flows

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

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Operating profit	5,514	3,556
Depreciation	2,530	2,199
Impairment of fixed assets	–	1,468
Profit on sale of fixed assets	(392)	(189)
Amortisation of goodwill	132	132
Decrease/(increase) in stock	839	(526)
Increase in debtors	(17,143)	(5,462)
Increase in creditors	8,517	4,039
Deferred income released	(68)	(102)
Movement in provisions	371	(60)
Difference between pension charge and cash contributions	(342)	(543)
	<u>(42)</u>	<u>4,512</u>

## Notes to the financial statements (continued)

at 31 March 2013

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

(b) Analysis of net funds

	At				At
	1 April	Cash flow	Other non-	Exchange	31 March
	2012	£000	cash	movement	2013
	£000	£000	changes	£000	£000
Cash at bank and in hand	31,973	(3,200)	-	24	28,797
	31,973	(3,200)	-	24	28,797
Hire purchase agreements	(269)	276	(997)	-	(990)
Short-term loans	(3,110)	3,107	(1,353)	(21)	(1,377)
Long-term loans	(23,458)	-	1,353	-	(22,105)
Current asset investments	763	(750)	-	-	13
	5,899	(567)	(997)	3	4,338

(c) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £1,103k.

### 26. Pensions

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

#### **Actuarial valuation**

The valuation used for FRS 17 purposes has been based on the most recent actuarial valuations at 5 April 2010 for both schemes and have been updated by independent qualified actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the schemes at 31 March 2013; 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 2013. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the schemes for FRS 17 purposes were:

## Notes to the financial statements (continued)

at 31 March 2013

### 26. Pensions (continued)

#### (a) Financial assumptions

*John Graham (Dromore) Limited Pension and Life Assurance Scheme*

	2013 (% p.a.)	2012 (% p.a.)
RPI Inflation	3.3	3.5
CPI Inflation	2.3	2.5
Rate of increase of pensions in payment:		
prior to 6 April 1997	3.0	3.0
after 5 April 1997	3.3	3.4
Discount rate for scheme liabilities	4.2	4.8

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over actual asset allocation for the scheme at the 5 April 2013.

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

The valuation under FRS 17 at 31 March 2013 shows a net pension deficit (before deferred tax) of £995k (2012 – deficit of £1,130k).

*Graham Asset Management Limited Pension and Life Assurance Scheme*

	2013 (% p.a.)	2012 (% p.a.)
Rate of increase in salaries	4.5	4.2
Retail price inflation (RPI) assumption	3.5	3.2
Consumer price index (CPI) assumption	2.75	2.5
Rate of increase of pensions in payment	2.75	2.5
Discount rate for scheme liabilities	4.4	4.6

## Notes to the financial statements (continued)

at 31 March 2013

### 26 Pensions (continued)

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

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23.4 years if they are male and for a further 25.9 years if they are female. For a member who retires in 20 years at age 65 the assumptions are that they will live on average for a further 25.4 years after retirements if they are male and for a further 27.8 years if they are female.

The valuation under FRS 17 at 31 March 2013 shows a net pension surplus (before deferred tax) of £119k (2012 – surplus of £113k).

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

<i>Combined</i>	<i>Value at</i>	
	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Equities	6,706	5,850
Gilts	1,644	2,043
Corporate Bonds	1,891	992
Cash and other	2,522	2,653
Assets held in respect of insured pensioners	4,350	4,253
Total market value of assets	<u>17,113</u>	<u>15,791</u>

#### *John Graham (Dromore) Limited Pension and Life Assurance Scheme*

	<i>Long term</i>		<i>Long term</i>	
	<i>rate of</i>	<i>Value</i>	<i>rate of</i>	<i>Value</i>
	<i>expected</i>	<i>2013</i>	<i>expected</i>	<i>2012</i>
	<i>return</i>	<i>2013</i>	<i>return</i>	<i>2012</i>
	<i>(% p.a.)</i>	<i>£000</i>	<i>(% p.a.)</i>	<i>£000</i>
Equities	6.9	5,951	7.4	5,196
Gilts	2.6	1,440	3.1	1,867
Corporate Bonds	3.9	1,891	4.3	992
Cash and other	1.7	2,434	1.7	2,581
Assets held in respect of insured pensioners	4.2	4,350	4.8	4,253
Total market value of assets		<u>16,066</u>		<u>14,889</u>

## Notes to the financial statements (continued)

at 31 March 2013

### 26 Pensions (continued)

#### Graham Asset Management Limited Pension and Life Assurance Scheme

	Long term rate of expected return 2013 (% p.a.)	Value 2013 £000	Long term rate of expected return 2012 (% p.a.)	Value 2012 £000
Equities	4.4	755	4.4	654
Gilts	2.4	204	2.4	176
Cash and other	2.4	88	2.4	72
Total market value of assets		<u>1,047</u>		<u>902</u>

#### (c) Analysis of the amount charged to operating profit

Group	2013 £000	2012 £000
Current service cost	<u>48</u>	<u>55</u>

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

Group	2013 £000	2012 £000
Expected return on pension scheme assets	745	778
Interest on pension scheme liability	(799)	(800)
Net cost	<u>(54)</u>	<u>(22)</u>

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

The actual return on scheme assets for the year ended 31 March 2013 was £1,530k (2012 – £1,027k).

## Notes to the financial statements (continued)

at 31 March 2013

### 26. Pensions (continued)

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

<i>Group</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Actual return less expected return on pension scheme assets	785	249
Experience gains and losses arising on the scheme liability	1	(16)
Changes in assumptions underlying the present value of the scheme liability	(933)	(1,442)
Actuarial loss recognised in the statement of total recognised gains and losses	<u>(147)</u>	<u>(1,209)</u>

(f) Reconciliation to balance sheet

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Total market value of non-insured asset	12,763	11,538
Assets held in respect of insured pensioners	4,350	4,253
Total market value of assets	<u>17,113</u>	<u>15,791</u>
Present value of non-insured scheme liabilities	13,639	12,700
Liability in respect of insured pensioners	4,350	4,108
Present value of scheme liabilities	<u>17,989</u>	<u>16,808</u>
Deficit in scheme	(876)	(1,017)
Related deferred tax asset	201	242
Net pension liability	<u>(675)</u>	<u>(775)</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 2013

### 26. Pensions (continued)

(g) Analysis of movement in deficit during the year

	2013	2012
	£000	£000
Liability in scheme at beginning of the year	(1,017)	(329)
Current service cost	(48)	(55)
Contributions	390	598
Net interest received	(54)	(22)
Actuarial loss	(147)	(1,209)
Liability in scheme at end of the year	<u>(876)</u>	<u>(1,017)</u>

Contributions to the Graham Asset Management Limited Pension and Life Assurance Scheme are payable at the rate of 37.9% of pensionable salaries. This amounted to £61k during year ended 31 March 2013 (2012 – £69k). Regular employer contributions during year ended 31 March 2014 are estimated to be £68k.

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

(h) History of experience gains and losses

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Fair value of scheme asset	17,113	15,791	14,725	14,200	11,711
Defined benefit obligation	<u>(17,989)</u>	<u>(16,808)</u>	<u>(15,054)</u>	<u>(16,143)</u>	<u>(13,117)</u>
Deficit in scheme	(876)	(1,017)	(329)	(1,943)	(1,406)
Experience gains/(losses) on scheme assets	785	249	(195)	1,855	(1,676)
Experience gains/(losses) on scheme liabilities	<u>386</u>	<u>(16)</u>	<u>696</u>	<u>(134)</u>	<u>(2)</u>

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



## Notes to the financial statements (continued)

at 31 March 2013

### 26. Pensions (continued)

(i) Other pension arrangements in Graham Asset Management

Within the Asset Management division, as a result of a number of contracts and related TUPE arrangements the Group participates in a number of other defined benefit pensions schemes. The contractual arrangements are such that the Group's liability is in effect similar to it operating Defined Contribution schemes in those cases. The company made contributions of £105,261 to these schemes during the year and there were £9,652 contributions outstanding at the year end.

### 27. Other financial commitments

At 31 March 2013 the company had annual commitments 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>2013</i>	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:						
Within one year	83	31	-	18	36	26
In two to five years	209	63	221	67	47	62
Over five years	85	-	-	148	25	-
	<u>377</u>	<u>94</u>	<u>221</u>	<u>233</u>	<u>108</u>	<u>88</u>

### 28. Contingent liabilities

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

### 29. Related party transactions

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

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## Notes to the financial statements (continued)

at 31 March 2013

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### 29. Related party transactions(continued)

In the normal course of business the Group provides, facilities management, and management services, on an arms-length basis, to Joint Ventures. The total services provided by the Group to

Joint Ventures amounted to £276kk (2012 – £348k). Amounts due from the Joint Ventures at the year end were £1,270kk (2012 – £1,183k).

### 30. Ultimate parent undertaking and controlling party

There is no ultimate controlling party of the Company.