

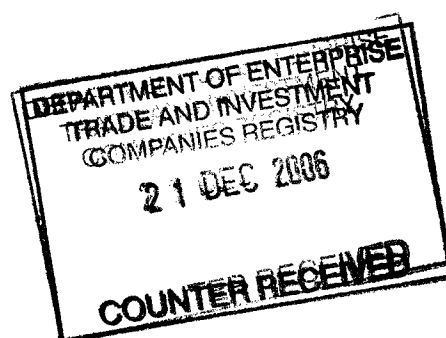


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John Graham (Dromore) Limited

Report and Financial Statements

31 March 2006



John Graham (Dromore) Limited

Registered No. NI 3503

Directors

Michael EJ Graham
Andrew K Bill
Alan K Bill
Colin J Graham
David S Watters

Secretary

Alistair J McDonald

Auditors

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

Bankers

Northern Bank Limited
24 Church Street
Dromore
County Down
BT25 1AA

Solicitors

McGrigors
2 Donegall Square East
Belfast
BT1 5HB

Registered Office

Lagan Mills
Dromore
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BT25 1AS

ERNST & YOUNG

Directors' report

The directors present their report and financial statements for the year ended 31 March 2006.

Principal activities and review of business

The Group is 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. With all significant activities within one sector of industry it is not the Group's practice to attempt segmental reporting.

Performance in 2005/2006 has shown continued improvement on the previous year, helped by a strong performance in areas of operational strength and an increased level of activity in the public sector.

The outlook for the future remains encouraging, with the prospect of significant increased spending on public sector infrastructure. The Group continues to offer its services to a diverse range of clients in the United Kingdom and Ireland.

Results and dividends

The results for the year are set out on page 7. The consolidated profit for the financial year is £2,678k (2005 – profit £2,531k restated). During the year dividends of £500k were proposed and paid (2005 – £450k). Retained profits carried forward are £10,433k (2005 – £7,441k restated).

Financial performance

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

		<i>Restated</i>
	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Turnover	148,733	104,969
Profit on ordinary activities before taxation	3,825	3,184

Turnover has increased due to volume growth in each activity and the Group continues to have strong regional growth in most areas of the business. Profit before tax shows a continual improvement. The recent acquisitions of subsidiaries, as detailed within these financial statements, enhances the Group's position for continued growth.

Directors' report (continued)

Risk Management

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:

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.

Financial risk management and business control

The Group's operations expose it to a variety of financial risks that include the effects of changes in foreign currency risk, credit risk, liquidity risk, interest rate risk and market price risk. The Group has in place a risk management programme that seeks to mitigate the adverse effects on the Group's financial performance of such risks.

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 (Dromore) Limited.

The Group exercises financial and business control through a combination of: qualified and experienced financial teams; performance analysis; budgeting and cash flow forecasting; and clearly defined approval limits. The external auditors 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.

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.

Directors' report (continued)

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 in-house publications. Special attention is given to training, health and safety and the employment of disabled persons.

Directors and their interests

The members of the Board are listed on page 1.

Interests of the directors in the shares of the Group at the beginning and end of the year are given below:

	<i>At 31 March 2006</i>		<i>At 31 March 2005</i>	
	<i>£1 Ord</i>	<i>5p A Ord</i>	<i>£1 Ord</i>	<i>5p A Ord</i>
Michael E J Graham	14,793	15,762	14,793	15,762
Alan K Bill	4,748	4,997	4,748	4,997
Andrew K Bill	4,748	4,997	4,748	4,997
Colin J Graham	14,110	14,799	14,110	14,799
David S Watters	-	-	-	-

Auditors

A resolution to reappoint Ernst & Young LLP as the Group's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



A.J. McDonald Company Secretary

Secretary

7 December 2006.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Company and of the Group for that period. In preparing those 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 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 proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of John Graham (Dromore) Limited

We have audited the Group and parent Company's financial statements (the "financial statements") of John Graham (Dromore) Limited for the year ended 31 March 2006, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Cash Flow Statement and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. 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 auditors' 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 auditors

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards in Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and whether the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the Company has not kept proper accounting records if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards in Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs at 31 March 2006 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Registered Auditor

Belfast

8 December 2006

Consolidated profit and loss account

For the year ended 31 March 2006

	Note	2006 £'000	Restated 2005 £'000
Turnover			
Group and share of joint venture's turnover	2	148,733	104,969
Less share of turnover of joint ventures		(18,492)	(15,483)
		<hr/> 130,241	<hr/> 89,486
Cost of sales		(119,219)	(80,994)
		<hr/> 11,022	<hr/> 8,492
Gross profit			
Administrative expenses		(8,879)	(5,978)
Other operating income		214	229
		<hr/> 2,357	<hr/> 2,743
Group operating profit			
Share of operating profit in joint ventures		1,858	1,259
		<hr/> 4,215	<hr/> 4,002
Total operating profit			
Interest receivable and similar income:			
Group		531	548
Joint ventures		159	148
		<hr/> 690	<hr/> 696
Interest payable and similar charges:			
Group		(203)	(129)
Joint ventures		(877)	(1,385)
		<hr/> (1,080)	<hr/> (1,514)
Profit on ordinary activities before taxation	3	3,825	3,184
Tax charge on profit on ordinary activities	7	(1,147)	(653)
		<hr/> 2,678	<hr/> 2,531
Profit for the financial year			

Consolidated profit and loss account (continued)

For the year ended 31 March 2006

Note of the historical cost profit and loss

For the year ended 31 March 2006

	2006	Restated 2005
	£'000	£'000
Reported profit on ordinary activities before taxation	3,825	3,184
Realisation of property valuation gains in prior years	532	35
Historical cost profit on ordinary activities before taxation	4,357	3,219
Historical cost profit retained for the year after taxation	3,210	2,566

Consolidated Statement of total recognised gains and losses

For the year ended 31 March 2006

	2006	Restated 2005
	£'000	£'000
Profit for the financial year	2,678	2,531
Net actuarial gains/(losses) recognised in respect of pension scheme	469	(1,064)
Deferred tax (charge)/credit arising on net actuarial gains/(losses)	(141)	319
Currency adjustments	5	2
Total recognised gains and losses relating to the period	3,011	1,788
Prior year adjustment (note 6)	(2,192)	
Total recognised gains and losses since last year-end	819	

Consolidated balance sheet

At 31 March 2006

		2006	Restated 2005
	Notes	£'000	£'000
Fixed assets			
Intangible assets	9	2,634	-
Tangible fixed assets	10	48,299	6,149
Loans to joint ventures	11	-	1,175
Investments – joint ventures			
Share of gross assets	11	3,988	29,690
Share of gross liabilities	11	(4,119)	(30,791)
		(131)	(1,101)
Investments – other	11	8	-
		50,810	6,223
Current assets			
Stocks	12	112	1,169
Debtors	13	32,698	24,084
Investments	14	10,426	5,316
Cash at bank and in hand		11,441	4,434
		54,677	35,003
Creditors: amounts falling due within one year	16	(48,739)	(28,671)
Net current assets		5,938	6,332
Total assets less current liabilities		56,748	12,555
Creditors: amounts falling due after more than one year	17,18	(22,946)	(291)
Deferred income	19	(19,687)	-
Net assets excluding pension liabilities		14,115	12,264
Pension liability	6	(1,533)	(2,193)
Net assets including pension liabilities		12,582	10,071
Capital and reserves			
Called up share capital	20	55	55
Revaluation reserve	21	2,049	2,530
Capital redemption reserve	21	45	45
Profit and loss account	21	10,433	7,441
Equity shareholders' funds		12,582	10,071



Director

7 December 2006

Balance sheet

At 31 March 2006

	Notes	2006 £'000	Restated 2005 £'000
Fixed assets			
Tangible assets	10	9,412	6,140
Investments	11	5,007	1,503
		<u>14,419</u>	<u>7,643</u>
Current assets			
Stocks	12	112	1,169
Debtors	13	27,733	20,971
Investments	14	2,547	5,316
Cash at bank and in hand		7,054	4,154
		<u>37,446</u>	<u>31,610</u>
Creditors: amounts falling due within one year	16	(36,961)	(26,645)
Net current assets		<u>485</u>	<u>4,965</u>
Total assets less current liabilities		<u>14,904</u>	<u>11,608</u>
Creditors: amounts falling due after more than one year	17,18	(1,479)	(291)
Deferred income	19	(499)	-
Net assets excluding pension liabilities		<u>12,926</u>	<u>12,317</u>
Pension liability	6	(1,533)	(2,193)
Net assets including pension liabilities		<u>11,393</u>	<u>10,124</u>
Capital and reserves			
Called up share capital	20	55	55
Revaluation reserve	21	2,049	2,530
Capital redemption reserve	21	45	45
Profit and loss account	21	9,244	7,494
Equity shareholders' funds		<u>11,393</u>	<u>10,124</u>



Director

7 December 2006.

Consolidated cash flow statement

for the year ended 31 March 2006

	Notes	2006 £'000	Restated 2005 £'000
Net cash inflow from operating activities	25	10,402	2,402
Returns on investment and servicing of finance			
Interest received		689	413
Interest paid		(700)	(30)
Interest element of hire purchase rental		(48)	(17)
Dividends received from joint venture		-	25
Net cash (outflow)/inflow from returns on investments and servicing of finance		(59)	391
Taxation			
Corporation tax paid		(963)	(499)
Tax paid		(963)	(499)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(5,510)	(1,596)
Receipts from sales of tangible fixed assets		1,623	210
Purchase of trade investment		(8)	-
Net cash outflow from capital expenditure and financial investment		(3,895)	(1,386)
Acquisitions and disposals			
Acquisition of subsidiary undertakings		(1,546)	-
Payments to acquire loan notes in subsidiary undertakings		(1,950)	-
Cash acquired with subsidiary undertakings		625	-
		(2,871)	-
Equity dividends paid		(500)	(450)
Inflow from operating activities and before use of liquid resources and financing		2,114	458
Management of liquid resources			
Net lodgements to deposit accounts		2,769	(1,009)
Financing			
Capital element of hire purchase rental		(270)	(182)
Net movement on loans		823	-
		553	(182)
Increase/(decrease) in cash	25	5,436	(733)

Notes to the financial statements

At 31 March 2006

1. John Graham (Dromore) Limited and its subsidiary companies

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March each year. Joint ventures are consolidated using the equity method of accounting. This is considered appropriate for the Company's investments due to the level of involvement of management in the running of the respective companies. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

The Company has entered into an unincorporated joint arrangement with Uniform Construction Limited known as Graham-Uniform for the performance of a major contract in the Republic of Ireland under the joint operations control of both companies. The accounts of Graham-Uniform have been prepared for the year to 31 March 2006 and the Company has accounted directly for its own share of the assets, liabilities and cash flows in the joint arrangement, measured according to the terms of the agreement governing that arrangement.

The Company has entered into an unincorporated joint arrangement with H & J Martin Limited known as Graham-Martin for the performance of major contracts in Belfast under the joint operational control of both companies. The accounts of Graham-Martin have been prepared for the year to 31 March 2006 and the Company has accounted directly for its own share of the assets, liabilities and cash flows in the joint arrangement, measured according to the terms of the agreement governing that arrangement.

The Company has entered into an unincorporated joint arrangement with McGinnis Developments Limited and Northstone (NI) Limited known as Northwin Construction for the performance of major contracts in Northern Ireland under the joint operational control of all three companies. The accounts of Northwin Construction have been prepared for the period 31 March 2006 and the Company has accounted directly for its own share of the assets, liabilities and cash flows in the joint arrangement, measured according to the terms of the agreement governing that arrangement.

The Company has entered into an unincorporated joint arrangement with Biwater Treatment Limited known as Biwater-Graham for the performance of water and waste water treatment works contracts in Northern Ireland under the joint operational control of both companies. The accounts of Biwater Graham have been prepared for the year to 31 March 2006 and the Company has accounted directly for its own share of the assets, liabilities and cash flows in the joint arrangement, measured according to the terms of the agreement governing that arrangement.

The Company has entered into an unincorporated joint arrangement with Northstone (NI) Ltd and Bilfinger Berger AG known as Highway Management Construction (HMC) for the design and construction of schemes 1, 2, 3 and 4 of DBFO Package 1 in Northern Ireland under the joint operational control of all three companies. The financial statements of HMC will be prepared to 31 December each year and the Company has accounted directly for its own share of the assets, liabilities and cash flows in the joint arrangement, measured according to the terms of the agreement governing that agreement.

Notes to the financial statements

At 31 March 2006

2. Accounting policies

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

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible assets, and in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the directors have fully adopted Financial Reporting Standard No 17 'Retirement Benefits' ("FRS 17").

The adoption of FRS 17 has resulted in a change in accounting policy as regards pensions accounting. Under the previous accounting standard (SSAP 24 "Accounting for pension costs") the Group's pensions costs were charged to the profit and loss account so as to spread the cost of pensions over the employees' estimated working lives, with variations from the regular cost spread over the average remaining service lives of current employees.

The accounting policy adopted under FRS 17 is described below. This change in accounting policy has resulted in a prior year adjustment and is detailed within note 6.

(ii) 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. Turnover is attributable to the United Kingdom market, with the exception of approximately £16 million (2005 - £14 million) attributable to the Republic of Ireland.

(iii) Taxation

Deferred taxation

Deferred tax 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 a 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, and 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 tax that would arise on remittance of the retained earnings of overseas 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.

Notes to the financial statements

At 31 March 2006

2. Accounting policies (continued)

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

(iv) Tangible fixed assets and depreciation

Following the implementation of Financial Reporting Standard No 15, the Group has availed of the transitional provisions of the Standard as a consequence of which it is no longer adopting a policy of revaluation but the carrying amount of tangible fixed assets reflects valuations. Details of the last valuation are given in note 10 to the financial statements.

Land and buildings are included in the accounts at cost or valuation. Cost of assets comprises purchase price and any installation charges.

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	8⅓% to 33⅓% straight line
Fixtures, fittings and office equipment	12½% to 33⅓% straight line

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

(v) Investment Properties

Certain of the Group's properties are held for long-term investment. In accordance with SSAP 19 "Accounting for Investment Properties", investment properties are revalued annually at open market value 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.

Although the Companies (Northern Ireland) Order 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.

(vi) Investments

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

The consolidated 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 consolidated balance sheet, the investment in joint ventures is shown as the Group's share of gross assets and gross liabilities of the joint venture.

Notes to the financial statements

At 31 March 2006

2. Accounting policies (continued)

(vii) Leased assets

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

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

Operating Leases

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

(viii) Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks originating from own production include production overhead cost allocations.

(ix) 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.

(x) Pension cost

In respect of the Company's defined benefit scheme, the expected cost of providing pensions is determined using the projected unit method, as calculated periodically by professionally qualified actuaries, with the surplus or deficit recognised in the balance sheet. Changes in the actuarial valuation other than those arising from actuarial gains and losses are recognised in the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payrolls. Charges arising from actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

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.

(xi) 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.

Notes to the financial statements

At 31 March 2006

2. Accounting policies (continued)

(xii) Foreign currency

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 with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

(xiii) Cash flow statement

For the purpose of the cash flow statement, equities and short term deposits are deemed to be liquid resources.

3. Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging/(crediting):

	2006 £'000	Restated 2005 £'000
Depreciation		
Owned assets	1,360	964
Assets held under hire purchase contracts	317	154
	<u>1,677</u>	<u>1,118</u>
Auditors' remuneration - audit fees	51	37
- other services	41	38
Interest on loans repayable within 5 years and bank borrowings	12	30
Hire purchase finance charges	51	17
Net interest on pension liability	105	82
Property rental	135	94
Other operating leases	217	89
Rental income, net of outgoings	(64)	(118)
	<u> </u>	<u> </u>

Notes to the financial statements

At 31 March 2006

4. Emoluments of directors

	2006 £'000	2005 £'000
Aggregate directors' emoluments for the year	429	313

	2006 No.	2005 No.
Number of directors to whom benefits are accruing under defined benefit schemes	4	4

	2006 £'000	2005 £'000
Amounts attributable to the highest paid director:		
For service as executive	144	108
Accrued annual pension	10	10

5. Staff costs

The average number of persons, including directors employed by the Group during the year is analysed below:

	2006 £'000	2005 £'000
The costs incurred in respect of these employees were:		
Wages and salaries	13,695	9,957
Social security costs	1,399	1,009
Pension contribution	712	466
	15,806	11,432

	2006 No.	2005 No.
The average number employed in the year by the Group (including directors) was:	495	391

Notes to the financial statements

At 31 March 2006

6. Pension costs

The Company operates a defined benefit pension scheme, The John Graham (Dromore) Limited Pension and Life Assurance Scheme, the assets of which are held in a separate trustee-administered fund. The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations. The Company is contributing £27,400 per month in line with the Schedule of Contributions to eliminate the deficit on the MFR basis. There was also a one-off payment of £250,000 at the end of the accounting period.

FRS 17 Implementation

The Company is required to comply fully with FRS 17 in its current year financial statements, for the year ended 31 March 2006. This has led to the net pension deficit calculated by the independent qualified actuaries being included in the balance sheet at this date. The deficit has been retrospectively included in reserves in the form of a prior year adjustment to opening reserves on 1 April 2004, as shown in note 21.

Prior year adjustments

The prior year adjustments are split with some adjustments affecting the reserves as of 1 April 2004, with the remainder affecting the reserves as of 1 April 2005. The initial adjustment was the introduction of the pension deficit and the related deferred tax asset onto the balance sheet. The subsequent adjustment was made up of the profit and loss account and the Statement of Total Recognised Gains and Losses effects of the movements in the pension deficit in the two years to 31 March 2005 and 31 March 2006.

Actuarial Valuation

The valuation used for FRS 17 purposes has been based on the most recent actuarial valuation at 5 April 2004 and has been updated by independent qualified actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2006. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the scheme for FRS 17 purposes were:

(i) Financial assumptions

	<i>5 April 2006 (% p.a.)</i>	<i>5 April 2005 (% p.a.)</i>	<i>5 April 2004 (% p.a.)</i>
Inflation	2.5	2.9	3.0
Rate of deferred pension revaluation in excess of GMP	2.5	2.9	3.0
Rate of increase of pensions in payment:			
Prior to 6 April 1997	3.0	3.0	3.0
After 5 April 1997	3.0	3.6	3.6
Discount rate for Scheme liabilities	5.0	5.4	5.6

Notes to the financial statements

At 31 March 2006

6. Pension costs (continued)

(ii) Assets of the Scheme and the expected rates of return

	<i>Long term rate of expected return at 5 April 2006 (% p.a.)</i>	<i>Value at 5 April 2006 £'000</i>	<i>Long term rate of expected return at 5 April 2005 (% p.a.)</i>	<i>Value at 5 April 2005 £'000</i>	<i>Long term rate of expected return at 5 April 2004 (% p.a.)</i>	<i>Value at 5 April 2004 £'000</i>
Equities and property	7.5	4,344	7.50	3,306	7.50	3,300
Bonds	4.5	1,948	4.75	130	4.75	141
Cash and other	4.5	462	4.75	1,898	4.25	889
Assets held in respect of insured pensioners		4,749		4,744		4,383
Total market value of Assets		11,503		10,078		8,713

(iii) Analysis of the amount charged to operating profit

	<i>For the year ending 5 April 2006 £'000</i>	<i>For the year ending 5 April 2005 £'000</i>
Current service cost	-	-
Past service cost	-	-
Total operating charge	-	-

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

	<i>For the year ending 5 April 2006 £'000</i>	<i>For the year ending 5 April 2005 £'000</i>
Expected return on pension scheme assets	596	545
Interest on pension scheme liabilities	(701)	(627)
Net charge	(105)	(82)

The above asset and liability figures exclude insured pension liability.

Notes to the financial statements

At 31 March 2006

6. Pension costs (continued)

(v) Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses

	<i>For the year ending 5 April 2006 £'000</i>	<i>For the year ending 5 April 2005 £'000</i>
Actual return less expected return on pension scheme assets	863	576
Experience gains and losses arising on the scheme liabilities	3	(69)
Changes in assumptions underlying the present value of the scheme liabilities	(397)	(1,571)
Actuarial gain/(loss) recognised in the Statement of Total Recognised Gains and Losses	469	(1,064)

(vi) Reconciliation to balance sheet

	<i>For the year ending 5 April 2006 £'000</i>	<i>For the year ending 5 April 2005 £'000</i>	<i>For the year ending 5 April 2004 £'000</i>
Total market value of non-insured asset	6,754	5,334	4,330
Assets held in respect of insured pensioners	4,749	4,744	4,383
Total market value of assets	11,503	10,078	8,713
Present value of non-insured scheme liabilities	8,944	8,467	7,061
Liability in respect of insured pensioners	4,749	4,744	4,383
Present value of scheme liabilities	13,693	13,211	11,444
Deficit in scheme	(2,190)	(3,133)	(2,731)
Related deferred tax asset (30%)	657	940	819
Net pension liability	(1,533)	(2,193)	(1,912)

Notes to the financial statements

At 31 March 2006

6. Pension costs (continued)

(vii) Analysis of movement in deficit during the year

	<i>For the year ending 5 April 2006 £'000</i>	<i>For the year ending 5 April 2005 £'000</i>
Deficit in scheme at beginning of the year	(3,133)	(2,731)
Current service cost	-	-
Contributions	579	744
Past service costs	-	-
Net interest charged	(105)	(82)
Actuarial gain/(loss)	469	(1,064)
Deficit in scheme at end of the year	(2,190)	(3,133)

(viii) History of experience gains and losses

	<i>For the year ending 5 April 2006</i>	<i>For the year ending 5 April 2005</i>
Difference between expected and actual return on scheme assets:		
Amount (£'000)	863	576
Percentage of scheme assets at end of year	8%	6%
Experience gains/(losses) on scheme liabilities:		
Amount (£'000)	3	(69)
Percentage of the present value of the scheme liabilities	(0%)	(1%)
Total amount recognised in the Statement of Total Recognised Gain and Losses:		
Amount (£'000)	469	(1,064)
Percentage of the present value of scheme liabilities	(3%)	(8%)

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

Notes to the financial statements

At 31 March 2006

7. Tax on profit on ordinary activities

	2006	Restated 2005
	£'000	£'000
(a) Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the current year	906	643
Adjustments in respect of previous periods	(47)	(24)
Foreign (Republic of Ireland) tax on profits of the current year	113	59
Adjustments in respect of Foreign (Republic of Ireland) tax of previous periods	5	-
Tax on profit on ordinary activities	977	678
Deferred tax:		
Origination and reversal of timing differences	(233)	(22)
Timing differences arising from FRS17 Pension Adjustments	142	199
Adjustment in respect of previous periods	(3)	(2)
Total deferred tax	(94)	175
Share of associates and joint venture tax	264	(200)
Total tax on profit on ordinary activities	1,147	653

Notes to the financial statements

At 31 March 2006

7. Tax on profit on ordinary activities (continued)

	2006 £'000	Restated 2005 £'000
(b) Factors affecting tax charge for the year		
Profit on ordinary activities before tax	3,825	3,184
(Deduct): share of joint ventures (profit) before tax	(736)	(48)
Group profit on ordinary activities before tax	3,089	3,134
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 – 30%)	927	940
Effects of:		
Expenses not deductible net of income not chargeable for tax purposes	51	45
Depreciation for period in excess of capital allowances	161	21
Short term timing differences	10	4
FRS 17 Pension timing differences	(142)	(198)
Other timing differences	63	-
Benefit of Republic of Ireland losses	-	(41)
Lower Irish tax rates on subsidiary results	(151)	(70)
Other adjustments to tax charges	100	1
Prior year adjustment	(42)	(24)
Current tax charge for year	977	678

(c) Factors that may affect future tax charges

Future tax charges will be affected by the level of capital expenditure.

(d) Deferred tax asset

	2006 £'000 Group	2006 £'000 Company	Restated 2005 £'000 Group	Restated 2005 £'000 Company
Accelerated capital allowances	(237)	(235)	(78)	(77)
Short term timing differences	(16)	(16)	(2)	(2)
Other timing differences	(572)	(63)	-	-
FRS 17 Pension provisions	(657)	(657)	(940)	(940)
	(1,482)	(971)	(1,020)	(1,019)
Shown against pension provision (note 6)	657	657	940	940
Shown in debtors (note 13)	(825)	(314)	(80)	(79)

Notes to the financial statements

At 31 March 2006

7. Tax on profit on ordinary activities (continued)

	<i>Restated £'000 Group</i>	<i>Restated £'000 Company</i>
Deferred Tax:		
Asset at start of year	(1,020)	(1,019)
Credit to profit and loss account		
- current year	(91)	(90)
- prior periods	(3)	(3)
Acquisition of subsidiary undertakings (note 11)	(509)	-
Charge to Statement of Total Recognised Gains and Losses	141	141
Asset at end of year	<u>(1,482)</u>	<u>(971)</u>

The Company has adopted FRS17 "Retirement Benefits". As a result the pension related deferred tax asset is now included on the face of the balance sheet under the heading "Pension liability". The total movements for the year amounted to £283k (2005 – credit £120k) with a charge to the profit and loss account of £142k (2005 – charge £199k) and a charge to the Statement of Total Recognised Gains and Losses of £141k (2005 – credit of £319k).

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

8. Profit of Parent Company

As permitted by Article 236 (7) of the Companies (Northern Ireland) Order, the profit and loss account of the Parent Company is not presented as part of these accounts. The Parent Company's profit after tax for the financial year amounted to £1,447k (2005 restated: £631k)

Notes to the financial statements

At 31 March 2006

9. Intangible fixed assets

Group

	<i>Goodwill</i> £'000
Cost	
At 31 March 2005	-
Arising on acquisition of subsidiary undertakings (note 11)	2,634
At 31 March 2006	2,634
Amortisation	
At 31 March 2005	-
Charge in the year	-
At 31 March 2006	-
Net book value	
At 31 March 2006	2,634
At 31 March 2005	-

The goodwill arising on the acquisitions during the year, is being amortised on a straight line basis over its estimated useful economic life of 20 years.

Notes to the financial statements

At 31 March 2006

10. Tangible fixed assets

	<i>Land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures fittings, tools and equipment £'000</i>	<i>Total £'000</i>
(i) The Group				
Cost or valuation				
At 31 March 2005	2,358	6,423	908	9,689
Acquisition of subsidiary undertakings	30,161	16,876	-	47,037
Additions	1,913	4,385	170	6,468
Disposals	-	(1,986)	(43)	(2,029)
Transfers	150	-	-	150
At 31 March 2006	34,582	25,698	1,035	61,315
Stated : at 1997 valuation	2,363	-	-	2,363
: at cost	32,219	25,698	1,035	58,952
Depreciation				
At 31 March 2005	108	3,905	693	4,706
Acquisition of subsidiary undertakings	4,472	3,679	-	8,151
Charge for the year	29	1,489	159	1,677
Disposals	-	(596)	(41)	(637)
At 31 March 2006	4,609	8,477	811	13,897
Net book value				
At 31 March 2006	29,973	17,221	224	47,418
At 31 March 2005	2,250	2,518	215	4,983

Notes to the financial statements

At 31 March 2006

10. Tangible fixed assets (continued)

(ii) *Investment properties**Group and Company**Investment
Properties
£'000*

Valuation

At 31 March 2005

1,166

Transfers

(150)

Disposals

(135)

At 31 March 2006

881

Investment properties are reflected in the balance sheet at the directors' opinion of open market value as at 31 March 2006.

	<i>Land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures fittings, tools and equipment £'000</i>	<i>Total £'000</i>
(iii) <i>The Company</i>				
Cost or valuation				
At 31 March 2005	2,358	6,423	883	9,664
Additions	1,913	4,385	168	6,466
Disposals	-	(1,986)	(42)	(2,028)
Transfers	150	-	-	150
At 31 March 2006	4,421	8,822	1,009	14,252
Stated : at 1997 valuation	2,363	-	-	2,363
: at cost	2,058	8,822	1,009	11,889
Depreciation				
At 31 March 2005	108	3,905	677	4,690
Charge for the year	29	1,489	150	1,668
Disposals	-	(596)	(41)	(637)
At 31 March 2006	137	4,798	786	5,721
Net book value				
At 31 March 2006	4,284	4,024	223	8,531
At 31 March 2005	2,250	2,518	206	4,974

Notes to the financial statements

At 31 March 2006

10. Tangible fixed assets (continued)

The balance sheet value of fixed assets includes £1,079k (2005 - £437k) in respect of assets held under hire purchase contracts.

Assets costing approximately £2.5m (2005 - £2.3m) are included in fixed assets and are fully depreciated.

In 1997 the freehold land and buildings were valued by Messrs George Preston & Son, Estate Agents, and James T Erwin, Chartered Surveyors, on the basis of open market value for their existing use. Land and buildings costing £228k were not valued.

Included in the cost or valuation of land and buildings is £1,188k (2005 - £918k) attributable to land, in respect of which no depreciation is provided.

	2006 £'000	2005 £'000
(iv) Historic Cost		
If stated under historical cost principles the comparable amounts for the total of land and buildings would be:		
At cost	33,414	2,118
Depreciation	(4,472)	(240)
Net Book Value	28,942	1,878

Notes to the financial statements

At 31 March 2006

11. Fixed asset investments

Group

During the year the Group acquired the remaining outstanding shares of certain of the Group Joint Ventures, namely Northwin Holdings (Belfast) Limited and subsidiary companies, Northwin Limited and Northwin (Balmoral & Wellington) Limited. The total consideration amounts to £1,546k and was paid for wholly in cash. The fair values of the assets and liabilities at the date of acquisition and the consideration paid were as follows:

	<i>Book Value</i>	<i>Fair value</i>	<i>Other</i>	<i>Fair value</i>
	<i>£'000</i>	<i>adjustments</i>	<i>£'000</i>	<i>to Group</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investments	7,878	-	-	7,878
Tangible fixed assets	38,886	-	-	38,886
Debtors and prepayments	3,545	-	-	3,545
Cash at bank and in hand	625	-	-	625
Creditors and accruals	(4,542)	-	-	(4,542)
Loans and related accruals	(7,829)	-	-	(7,829)
Deferred taxation	509	-	-	509
Deferred income	(19,188)	-	-	(19,188)
Provisions	-	-	-	-
Amounts falling due in more than one year	(21,467)	-	-	(21,467)
Net liabilities	(1,583)			(1,583)
Less: share of net liabilities acquired				495
				(1,088)
Goodwill arising on consolidation				2,634
				1,546
Satisfied by				
Cash on completion				1,546
				1,546

Notes to the financial statements

At 31 March 2006

11. Fixed asset investments (continued)

The summarised combined Profit and Loss accounts for Northwin Limited, Northwin Holdings (Belfast) Limited and Northwin (Balmoral & Wellington) Limited, for the period from 1 April 2005 to the effective date of acquisition is as follows:

	£'000
Turnover	7,348
Operating profit	2,631
Interest payable	(2,129)
Profit before tax	502
Taxation	(204)
Profit for the year ended 31 March 2006	298

	2006 £'000	2005 £'000
Group		
Joint Ventures		
<i>Share of assets</i>		
Fixed assets	228	15,017
Current assets	3,760	14,673
	3,988	29,690
<i>Share of liabilities</i>		
Liabilities due within one year	(2,170)	(12,107)
Liabilities due after one year or more	(1,949)	(18,684)
	(4,119)	(30,791)
	(131)	(1,101)

Notes to the financial statements

At 31 March 2006

11. Fixed asset investments (continued)

		2006	2005
		£	£
Company			
(i)	Shares in subsidiaries at cost		
	Cost at start of the year	-	-
	Transfers from shares in joint ventures	111	-
	Additions	1,546	-
	Cost at end of year	1,657	-
		<u>£'000</u>	<u>£'000</u>
(ii)	Shares in joint ventures at cost		
	At start of year	328	328
	Transfer to shares in subsidiaries	(111)	-
	At end of year	217	328
(iii)	Loans to joint ventures		
	At start of year	1,175	1,175
	Transfers of loans to subsidiaries	(1,175)	-
	At end of year	-	1,175
(iv)	Loans to subsidiaries		
	At start of year	-	-
	Transfer from loans to joint ventures	1,175	-
	Additions	1,950	-
	At end of year	3,125	-
(v)	Other investments		
	At start of year	-	-
	Additions	8	-
	At end of year	8	-
		<u>5,007</u>	<u>1,503</u>

Notes to the financial statements

At 31 March 2006

11. Fixed asset 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>	<i>Ordinary Share Capital</i>
Graham Projects Limited	Building and civil Engineering works	Republic of Ireland	€2
Irish Waterways Limited	Dormant	Northern Ireland	£100
Northwin Limited	Provision of an educational facility under PPP	Northern Ireland	£88,872
Northwin Holdings (Belfast) Limited	Holding company non-trading	Northern Ireland	£198,655
Northwin Intermediate * (Belfast) Limited	Non- trading	Northern Ireland	£198,655
Northwin (Belfast) **	Provision of an educational facility under PPP	Northern Ireland	£198,655
GGF Developments ** Limited	Non-trading	Northern Ireland	£2
Northwin Developments * (Belfast) Limited	Property development	Northern Ireland	£2
Northwin (Balmoral & Wellington) Limited	Provision of an educational facility under PPP	Northern Ireland	£200,001

* held by Northwin Holdings (Belfast) Limited

** held by Northwin Intermediate (Belfast) Limited

Joint Ventures

<i>Joint Venture</i>	<i>Activity</i>	<i>Direct or Indirect holding</i>	<i>Group equity holding %</i>	<i>Total issued share capital</i>
Graham Gambro Limited	Services under PPP	Direct	50	£300,000
Northwin Holdings (Wellington) Limited	Holding company – non trading	Direct	33½	£200,001*
PGF (Balmoral) Limited	Property development	Indirect	33½	£2
Graham and Maybin Limited	Facilities management services	Direct	50	£1,000
Partners in Healthcare Technology Limited	Provision of a healthcare facility under PPP	Direct	33½	£300

* For the non trading companies, the retained reserves are nil

Notes to the financial statements

At 31 March 2006

11. Fixed asset investments (continued)

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

Share of results of Joint Ventures: 31 March 2006

	<i>Graham Gambro Limited 2006 £'000</i>	<i>Northwin Holdings (Wellington) Limited 2006 £'000</i>	<i>Graham and Maybin Limited 2006 £'000</i>	<i>PHT Limited 2006 £'000</i>
Turnover	*	6,823	*	*
Profit before tax	*	16	*	*
Taxation	*	(4)	*	*
Profit after tax	30	12	13	(188)
Fixed assets	*	-	*	-
Current assets	*	941	*	1,122
Liabilities due within one year	*	(524)	*	(1,061)
Liabilities due after one year or more	*	(1)	*	(1,104)
Provisions	*	-	*	-
Net assets – share capital & reserves	353	416	143	(1,043)

* indicates that disclosure is not required under the Companies (Northern Ireland) Order 1986, or under Financial Reporting Standard No. 9 'Associates and Joint Ventures'.

Notes to the financial statements

At 31 March 2006

11. Fixed asset investments (continued)

Share of results of Joint Ventures: 31 March 2005

	<i>Graham Gambro Limited 2005 £'000</i>	<i>Northwin Northwin Limited 2005 £'000</i>	<i>Northwin (Belfast) Limited 2005 £'000</i>	<i>Northwin Holdings (Wellington) Limited 2005 £'000</i>	<i>Northwin Developments (Belfast) Limited 2005 £'000</i>	<i>Graham and Maybin Limited 2005 £'000</i>	<i>PHT Limited 2005 £'000</i>
Turnover	*	*	1,184	7,293	*	*	*
Profit before tax	*	*	17	202	*	*	*
Taxation	*	*	97	(58)	*	*	*
Profit after tax	13	70	114	144	(53)	44	(84)
Fixed assets	*	3,697	5,916	5,257	*	*	-
Current assets	*	674	833	10,468	*	*	454
Liabilities due within one year	*	(385)	(499)	(9,884)	*	*	(346)
Liabilities due after one year or more	*	(4,085)	(6,792)	(5,911)	*	*	(963)
Provisions	*	*	-	-	*	*	*
Net assets – share capital & reserves	324	(99)	(542)	(70)	(96)	129	(855)

* indicates that disclosure is not required under the Companies (Northern Ireland) Order 1986, or under Financial Reporting Standard No. 9 'Associates and Joint Ventures'.

12. Stocks

	<i>Group 2006 £'000</i>	<i>Company 2006 £'000</i>	<i>Group 2005 £'000</i>	<i>Company 2005 £'000</i>
Raw materials and consumables	112	112	105	105
Trading property stocks	-	-	1,064	1,064
	112	112	1,169	1,169

Notes to the financial statements

At 31 March 2006

13. Debtors

	<i>Group</i>	<i>Company</i>	<i>Restated</i>	<i>Restated</i>
	<i>2006</i>	<i>2006</i>	<i>Group</i>	<i>Company</i>
	<i>£'000</i>	<i>£'000</i>	<i>2005</i>	<i>2005</i>
			<i>£'000</i>	<i>£'000</i>
Trade debtors	3,572	2,928	5,260	5,260
Amounts owed by Group companies	-	1,789	-	1,076
Amounts recoverable on contracts	27,250	21,833	17,804	13,817
Other debtors	240	178	241	49
Corporation tax	-	-	10	10
Deferred tax asset	825	314	80	79
Prepayments and accrued income	811	691	689	680
	<u>32,698</u>	<u>27,733</u>	<u>24,084</u>	<u>20,971</u>

14. Current asset investments

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2006</i>	<i>2006</i>	<i>2005</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Listed investments:				
Cost at start of year	13	13	13	13
Disposals	-	-	-	-
Cost at end of year	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>
Other investments	10,413	2,534	5,303	5,303
	<u>10,426</u>	<u>2,547</u>	<u>5,316</u>	<u>5,316</u>

The market value of listed investments as at 31 March 2006 was £10k (2005 - £9k). Other investments represent short-term deposits recognised as current asset investments.

15. Bank overdrafts

Bank borrowings are repayable on demand and secured by way of fixed charges over certain of the Company's properties and a floating charge on the Company's assets and undertakings.

Notes to the financial statements

At 31 March 2006

16. Creditors: amounts falling due within one year

	<i>Group</i> <i>2006</i> <i>£'000</i>	<i>Company</i> <i>2006</i> <i>£'000</i>	<i>Group</i> <i>2005</i> <i>£'000</i>	<i>Company</i> <i>2005</i> <i>£'000</i>
Bank loans and overdrafts	5,493	2,176	573	573
Trade creditors and accruals	32,283	27,956	24,567	20,780
Amounts owed to Group companies	-	166	-	1,882
Taxation and social security	2,072	1,745	1,246	1,166
Other creditors	551	551	1,069	1,069
Payments on account	7,353	3,256	403	403
Consortium relief	117	334	479	479
Corporation tax	408	315	159	118
Hire purchase and finance lease creditors	462	462	175	175
	<u>48,739</u>	<u>36,961</u>	<u>28,671</u>	<u>26,645</u>

17. Hire purchase obligations

	<i>Group</i> <i>2006</i> <i>£'000</i>	<i>Company</i> <i>2006</i> <i>£'000</i>	<i>Group</i> <i>2005</i> <i>£'000</i>	<i>Company</i> <i>2005</i> <i>£'000</i>
Analysis of obligations under hire purchase contracts:				
Within one year	462	462	175	175
Between one and two years	363	363	203	203
Between two and five years	325	325	88	88
	<u>1,150</u>	<u>1,150</u>	<u>466</u>	<u>466</u>

18. Bank loans and overdrafts

	<i>Group</i> <i>2006</i> <i>£'000</i>	<i>Company</i> <i>2006</i> <i>£'000</i>	<i>Group</i> <i>2005</i> <i>£'000</i>	<i>Company</i> <i>2005</i> <i>£'000</i>
Amounts payable:				
Within one year or on demand	5,493	2,176	-	-
Between one and two years	1,098	35	-	-
Between two and five years	3,516	116	-	-
In more than five years	17,644	640	-	-
	<u>27,751</u>	<u>2,967</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

At 31 March 2006

18. Bank loans and overdrafts (continued)

Security

With respect to the Group providing an educational facility at Northland Road, Londonderry under the Private Finance Initiative, the Bank of Ireland holds as security a sub-mortgage dated 10 September 1999 over the property at Northland Road, Londonderry and a debenture dated 10 September 1999 over the company's assets and undertakings.

With respect to the Group providing an educational facility at Belfast Institute of Further and Higher Education, under the Private Finance Initiative, the Bank of Scotland (Ireland) Limited holds as security the following:

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

19. Deferred income

	<i>Group</i>		<i>Company</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance at 1 April	-	-	-	-
Acquisition of subsidiary undertakings	19,188	-	-	-
Additions	500	-	500	-
Release to profit and loss	(1)	-	(1)	-
Balance at 31 March	19,687	-	499	-

20. Called up share capital

	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Authorised		
237,500 ordinary shares of £1 each	237,500	237,500
250,000 'A' ordinary shares of 5p each	12,500	12,500
	250,000	250,000
Called up, allotted and fully paid		
52,250 ordinary shares of £1 each	52,250	52,250
55,005 'A' ordinary shares of 5p each	2,750	2,750
	55,000	55,000

Notes to the financial statements

At 31 March 2006

21. Reconciliation of shareholders' funds and movements on reserves

Group

	<i>Share capital £'000</i>	<i>Revaluation reserve £'000</i>	<i>Investment property reserve £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Restated Profit and loss account £'000</i>	<i>Restated Total £'000</i>
At 31 March 2004 (as previously reported)	55	1,710	855	45	7,980	10,645
Prior Year Adjustment	-	-	-	-	(1,912)	(1,912)
At 31 March 2004 (as restated)	55	1,710	855	45	6,068	8,733
Profit for the year	-	-	-	-	2,531	2,531
Net actuarial gains	-	-	-	-	(1,064)	(1,064)
Deferred tax on actuarial Gains	-	-	-	-	319	319
Currency adjustments	-	-	-	-	2	2
Revaluation transfer	-	(33)	(2)	-	35	-
Dividends paid	-	-	-	-	(450)	(450)
At 31 March 2005	55	1,677	853	45	7,441	10,071
Profit for the year	-	-	-	-	2,678	2,678
Net actuarial gains	-	-	-	-	469	469
Deferred tax on actuarial Gains	-	-	-	-	(141)	(141)
Currency adjustments	-	-	-	-	5	5
Revaluation transfer	-	-	(481)	-	481	-
Transfer	-	51	(51)	-	-	-
Dividends paid	-	-	-	-	(500)	(500)
At 31 March 2006	55	1,728	321	45	10,433	12,582

Notes to the financial statements

At 31 March 2006

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

Company

	Share capital £'000	Revaluation reserve £'000	Investment property reserve £'000	Capital redemption reserve £'000	Restated Profit and loss account £'000	Restated Total £'000
At 31 March 2004 (as previously reported)	55	1,710	855	45	8,775	11,440
Prior Year Adjustment	-	-	-	-	(1,912)	(1,912)
At 31 March 2004 (as restated)	55	1,710	855	45	6,863	9,528
Profit for the year	-	-	-	-	1,818	1,818
Net actuarial gains	-	-	-	-	(1,064)	(1,064)
Deferred tax on actuarial Gains	-	-	-	-	319	319
Currency adjustments	-	-	-	-	(27)	(27)
Revaluation Transfer	-	(33)	(2)	-	35	-
Dividends paid	-	-	-	-	(450)	(450)
At 31 March 2005	55	1,677	853	45	7,494	10,124
Profit for the year	-	-	-	-	1,447	1,447
Net actuarial gains	-	-	-	-	469	469
Deferred tax on actuarial Gains	-	-	-	-	(141)	(141)
Currency adjustments	-	-	-	-	(6)	(6)
Revaluation transfer	-	-	(481)	-	481	-
Transfer	-	51	(51)	-	-	-
Dividends paid	-	-	-	-	(500)	(500)
At 31 March 2006	55	1,728	321	45	9,244	11,393

The prior year adjustments are in relation to the implementation of FRS 17 in the current year financial statements (see note 6).

22. 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 joining in contract bonds. Appropriate provisions are made in assessing amounts recoverable on contracts.

Notes to the financial statements

At 31 March 2006

23. Other financial commitments

At 31 March 2006 the Group and Company had annual commitments under cancellable and non-cancellable operating leases as set out below:

	<i>Property</i>	<i>Motor</i>	<i>Property</i>	<i>Motor</i>
	<i>2006</i>	<i>vehicles</i>	<i>2005</i>	<i>Vehicles</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
The Group				
Leases which expire:				
Within one year	-	10	-	8
Within 2 to 5 years	128	259	25	180
After 5 years	62	-	62	-
	<u>190</u>	<u>269</u>	<u>87</u>	<u>188</u>

	<i>Property</i>	<i>Motor</i>	<i>Property</i>	<i>Motor</i>
	<i>2006</i>	<i>vehicles</i>	<i>2005</i>	<i>Vehicles</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
The Company				
Leases which expire:				
Within one year	-	10	-	8
Within 2 to 5 years	111	259	8	180
After 5 years	62	-	62	-
	<u>173</u>	<u>269</u>	<u>70</u>	<u>188</u>

24. Related party transactions

In the normal course of business the Group provides construction, facilities management, and maintenance services, on an arms-length basis, to fellow Joint Ventures. The total services provided by the Group amounted to £6,078k (2005 - £17,862k). Amounts due from the Joint Venture at the year end were £169k (2005 - £3,487k).

Notes to the financial statements

At 31 March 2006

25. Notes to the cash flow statement

- (i) Reconciliation of operating profit to net cash inflow from operating activities:

	2006	Restated 2005
	£'000	£'000
Operating profit	2,357	2,743
Depreciation	1,677	1,117
Profit on sale of fixed assets	(101)	(61)
Dividends received from Joint Ventures	-	(25)
(Increase)/decrease in stock	1,057	(1)
(Increase)/decrease in debtors	(5,557)	(7,600)
Increase in creditors and deferred income	11,548	6,973
FRS 17 movements	(579)	(744)
Net cash inflow from operating activities	10,402	2,402

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

	2006	Restated 2005
	£'000	£'000
Increase/ (decrease) in cash in the year	5,436	(733)
Cash outflow re hire purchase financing	270	182
Cash (inflow)/outflow from movement in liquid resources	(2,769)	1,009
Net cash movements arising from acquisition of subsidiary undertakings	(16,905)	-
Cash inflow from increase in debt	(823)	-
Change in net (debt)/funds resulting from cash flows	(14,791)	458
New hire purchase agreements	(954)	(494)
Movement in net debt in the year	(15,745)	(36)
Net funds at 1 April	8,711	8,747
Net (debt)/ funds at 31 March	(7,034)	8,711

Notes to the financial statements

At 31 March 2006

25. Notes to the cash flow statement (continued)

(iii) Analysis of net funds:

	<i>At 1 April 2005</i>	<i>Cash flow</i>	<i>Acquisitions</i>	<i>Other non-cash changes</i>	<i>At 31 March 2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	4,434	6,382	625	-	11,441
Overdrafts	(573)	(1,571)	-	-	(2,144)
	<u>3,861</u>	<u>4,811</u>	<u>625</u>	<u>-</u>	<u>9,297</u>
Hire Purchase agreements	(466)	270	-	(954)	(1,150)
	<u>3,395</u>	<u>5,081</u>	<u>625</u>	<u>(954)</u>	<u>8,147</u>
Short term loans	-	(32)	(3,317)	-	(3,349)
Long term loans	-	(791)	(21,467)	-	(22,258)
Current asset investments	5,316	(2,769)	7,879	-	10,426
	<u>8,711</u>	<u>1,489</u>	<u>(16,280)</u>	<u>(954)</u>	<u>(7,034)</u>

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £954k.