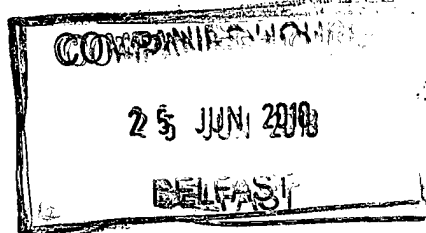


REGISTERED No. NI003503

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**John Graham Construction Limited**  
**Report and Financial Statements**  
31 March 2018

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MONDAY



JNI \*J78V6U5F\* #53  
25/06/2018  
COMPANIES HOUSE

**Directors**

M E J Graham  
A K Bill  
A K Bill  
R J Clarke  
L J Martin  
A J McDonald  
C P McCormick

**Secretary**

A J McDonald

**Auditors**

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

**Bankers**

Danske Bank  
Donegal Square West  
Belfast  
County Antrim  
BT1 6JS

**Registered Office**

5 Ballygowan Road  
Hillsborough  
County Down  
BT26 6HX

REGISTERED No. NI003503

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## Strategic Report

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The directors present their Strategic Report for the year ended 31 March 2018.

### Principal activities

John Graham Construction Limited and its subsidiary undertakings ("the Group") are primarily engaged in building, interior fit-out and civil engineering.

### Review of the business

In line with the Groups strategic plan, revenue grew by 40% in the period to £692m (2017: £493m) as each division has capitalised on a policy of targeted bidding, building strategic relationships and the development of framework opportunities. The Directors are happy to report that each division within the Group has remained profitable.

Overall Group profit before taxation has reduced slightly in the period to £11,106k (2017: £11,962k) as the business has dealt with the administration of a joint venture partner and the failure of a couple of its supply chain due to the collapse of a major contractor during the year. We have dealt with these issues during the period whilst ensuring the delivery of quality projects and outcomes for our clients culminating in the award of the 2017 Building Magazine major contractor of the year.

The Group has continued to invest in its people skills and capabilities as demonstrated by the Investors in People Platinum accreditation and Wellbeing awards in 2017 and invested in its digital capabilities through its digital construction department. During the year, through consultation with clients, partners and staff, we have developed our guiding principle of 'Delivering Lasting Impact'. The core pillars that sit behind this principle drive us forward, both individually and collectively, defining who we are and what we stand for. Our investment in this rebranding initiative reflects our forward-looking attitude.

Each division within the Group is in a strong position with record order books and a pipeline of opportunity that is strong in both volume and quality. Cash at bank and in hand has increased to £57m (2017: £48m), ensuring the business has the resources to continue growing sustainably.

### Financial performance

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

|                          | 2018<br>£000  | 2017<br>£000  |
|--------------------------|---------------|---------------|
| Group turnover           | 692,005       | 492,773       |
| Profit before taxation   | 11,106        | 11,962        |
| Cash at bank and in hand | <u>57,017</u> | <u>48,307</u> |

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## Strategic Report (continued)

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### Principal risks and uncertainties

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

The Risk Management Group meets bi-annually to assess the risks and review progress against the internal audit plan. The key risks which management face are detailed as follows:

#### *Health and safety risk*

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

The Group is committed to ensuring a safe working environment. These risks are managed by the Group through: the strong promotion of a health and safety culture; and well-defined health and safety policies and procedures. Additionally, each Operating Company has experienced Health and Safety professionals who provide support and advice and undertake regular onsite audits.

#### *Markets*

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

The Group has a broad exposure to infrastructure markets and is developing its business streams across GB and Ireland over the spectrum of infrastructure and building sectors to mitigate the risk of adverse changes in spending in any one market. The Group will continue to focus on more resilient and stable markets/sectors maintaining a balance between public / private sector work.

#### *Work Winning*

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

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## Strategic Report (continued)

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### *Principal risks and uncertainties (continued)*

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

#### *Delivery*

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

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

#### *People*

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

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

#### *Supply Chain*

As a business, our success depends heavily on our ability to appropriately manage our supply chain; failure to do so could result in delivery failures, compliance issues and strained customer relationships, ultimately leading to damage to the group reputation and financial loss and / or penalties.

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## Strategic Report (continued)

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### Principal risks and uncertainties (continued)

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

### Finance

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

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

### Compliance

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

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

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

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

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## Strategic Report (continued)

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### **Principal risks and uncertainties (continued)**

#### *Systems*

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

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

#### *Financial instruments*

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

#### *Foreign currency risk*

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

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

#### *Credit risk*

Credit risk arises principally on third party derived revenues. Group policy is aimed at minimising such risk, and requires that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures or who pay in advance of transfer of title or supply an appropriate letter of credit.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's liquidity risk is managed by Group directors through a tightly controlled cash management process. Regular reviews of available facilities are carried out along with long term cash projections to ensure sufficient liquidity is available.

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## Strategic Report (continued)

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### Principal risks and uncertainties (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.

On behalf of the Board



Courtney McCormick  
Director  
20<sup>th</sup> June 2018



REGISTERED No. NI003503

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## **Directors' Report**

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*The directors present their report and financial statements for the year ended 31 March 2018.*

### **Results and dividends**

The group demonstrated a very strong performance for the year ended 31 March 2018. The group profit for the year after taxation amounted to £9.02m (2017: 9.59m). The directors do not recommend a final dividend (2017 – £nil). Interim dividends of £0.50m (2017: £nil) were paid in the year. Retained earnings carried forward are £40.37m (2017: £31.15m).

### **Future developments**

Each division within the Group continues to deliver robust performances with a focus on ensuring quality delivery. Our core markets remain strong with the UK as we continue with our policy of selective bidding, focusing on building strategic partnerships and the development of framework opportunities. The pipeline of secured work and the current tender list in the Civil Engineering, Building and Interior Fit-Out divisions is healthy. Our divisional strength, sectoral expertise and regional presence provides with a well-balanced service offering within the Group and are all underpinned by a healthy forward order book.

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

### **Going concern**

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

The Group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. 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.

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## **Directors' Report (continued)**

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### **Directors**

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

M E J Graham  
A K Bill  
A K Bill  
R J Clarke  
A J McDonald  
L J Martin  
C P McCormick

### **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, 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.

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## Directors' Report (continued)

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### Auditors

In accordance with s485 of the Companies Act 2006 a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Alan Bill  
Director  
20<sup>th</sup> June 2018

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## **Directors Responsibility Statement**

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The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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## Independent auditor's report to the members of John Graham Construction Limited

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### Opinion

We have audited the financial statements of John Graham Construction Limited ('the parent company') and its subsidiaries ('the Group') for the year ended 31 March 2018 which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and parent company Balance Sheets, the Group and parent company Statements of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

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## **Independent auditor's report (continued)**

### **to the members of John Graham Construction Limited**

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#### **Other information**

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

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

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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

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## Independent auditor's report (continued)

### to the members of John Graham Construction Limited

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#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

#### Use of our report

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



Michael Kidd (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date: 20 June 2018

## Group Profit and Loss Account

for the year ended 31 March 2018

|  | Notes | 2018<br>£000 | 2017<br>£000 |
|--|-------|--------------|--------------|
| <b>Turnover</b>                        | 2     | 692,005      | 492,773      |
| Cost of sales                          |       | (645,304)    | (451,071)    |
| <b>Gross profit</b>                    |       | 46,701       | 41,702       |
| Administrative expenses                |       | (35,744)     | (29,943)     |
| Other operating income                 |       | 57           | 121          |
| <b>Operating profit</b>                | 3     | 11,014       | 11,880       |
| Interest receivable and similar income | 6     | 214          | 202          |
| Interest payable and similar charges   | 7     | (122)        | (120)        |
| <b>Profit before taxation</b>          |       | 11,106       | 11,962       |
| Taxation                               | 8     | (2,091)      | (2,369)      |
| <b>Profit for the financial year</b>   |       | 9,015        | 9,593        |

All amounts relate to continuing activities.



2018

## Group Statement of Comprehensive Income

for the year ended 31 March 2018

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Profit for the financial year                                     | 9,015        | 9,593        |
| Net actuarial gain/(loss) recognised in respect of pension scheme | 811          | (388)        |
| Movement on deferred tax relating to pension asset/(liability)    | (138)        | 66           |
| Currency adjustments on retranslation of subsidiary undertakings  | 27           | 56           |
| <b>Total comprehensive income for the year</b>                    | <b>9,715</b> | <b>9,327</b> |

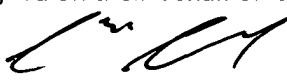
2018

## Group Balance Sheet

at 31 March 2018

|  | Notes | 2018<br>£000   | 2017<br>£000   |
|--|-------|----------------|----------------|
| <b>Fixed assets</b>  |       |                |                |
| Intangible assets  | 11    | 1,979          | 2,245          |
| Tangible assets  | 12    | 9,153          | 7,163          |
|  |       | <u>11,132</u>  | <u>9,408</u>   |
| <b>Current assets</b>  |       |                |                |
| Stocks   | 14    | 73             | 243            |
| Debtors  | 15    | 178,279        | 124,533        |
| Investments  | 16    | 7              | 8              |
| Cash at bank and in hand                                       |       | 57,017         | 48,307         |
|  |       | <u>235,376</u> | <u>173,091</u> |
| <b>Creditors: amounts falling due within one year</b>          | 17    | (202,635)      | (147,050)      |
| <b>Net current assets</b>                                      |       | <u>32,741</u>  | <u>26,041</u>  |
| <b>Total assets less current liabilities</b>                   |       | <u>43,873</u>  | <u>35,449</u>  |
| <b>Creditors: amounts falling due after more than one year</b> | 18    | (1,875)        | (1,341)        |
| Deferred income  | 20    | (298)          | (315)          |
| <b>Net assets excluding pension asset</b>                      |       | <u>41,700</u>  | <u>33,793</u>  |
| Defined benefit pension asset                                  | 22    | 1,325          | 17             |
| <b>Net assets including pension asset</b>                      |       | <u>43,025</u>  | <u>33,810</u>  |
| <b>Capital and reserves</b>                                    |       |                |                |
| Called up share capital  | 21    | 55             | 55             |
| Capital redemption reserve                                     |       | 45             | 45             |
| Other capital reserve  |       | 2,560          | 2,560          |
| Profit and loss account  |       | 40,365         | 31,150         |
| <b>Shareholders' funds</b>                                     |       | <u>43,025</u>  | <u>33,810</u>  |

The financial statements were approved and authorised for issue by the board of directors and were signed on their behalf on the 20<sup>th</sup> June 2018.

  
Courtney McCormick  
Director

**2018**

## Company Balance Sheet

at 31 March 2018

|  | Notes | 2018<br>£000     | 2017<br>£000     |
|--|-------|------------------|------------------|
| <b>Fixed assets</b>  |       |                  |                  |
| Intangible assets  | 11    | 1,979            | 2,245            |
| Tangible assets  | 12    | 9,125            | 7,163            |
|  |       | <u>11,104</u>    | <u>9,408</u>     |
| <b>Current assets</b>  |       |                  |                  |
| Stocks   | 14    | 73               | 243              |
| Debtors  | 15    | 176,085          | 123,062          |
| Investments  | 16    | 7                | 8                |
| Cash at bank and in hand                                       |       | 56,340           | 46,787           |
|  |       | <u>232,505</u>   | <u>170,100</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 17    | <u>(200,971)</u> | <u>(145,262)</u> |
| <b>Net current assets</b>                                      |       | <u>31,534</u>    | <u>24,838</u>    |
| <b>Total assets less current liabilities</b>                   |       | <u>42,638</u>    | <u>34,246</u>    |
| <b>Creditors: amounts falling due after more than one year</b> | 18    | <u>(1,875)</u>   | <u>(1,341)</u>   |
| Deferred income  | 20    | (298)            | (315)            |
| <b>Net assets excluding pension assets</b>                     |       | <u>40,465</u>    | <u>32,590</u>    |
| Defined benefit pension asset                                  | 22    | 1,325            | 17               |
| <b>Net assets including pension asset</b>                      |       | <u>41,790</u>    | <u>32,607</u>    |
| <b>Capital and reserves</b>                                    |       |                  |                  |
| Called up share capital  | 21    | 55               | 55               |
| Capital redemption reserve                                     |       | 45               | 45               |
| Other capital reserve  |       | 2,560            | 2,560            |
| Profit and loss account  |       | <u>39,130</u>    | <u>29,947</u>    |
| <b>Shareholders' funds</b>                                     |       | <u>41,790</u>    | <u>32,607</u>    |

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

The financial statements were approved and authorised for issue by the board of directors and were signed on their behalf on the 20<sup>th</sup> June 2018.



Alan Bill  
Director

## Group Statement of Changes in Equity

at 31 March 2018

|   | <i>Called<br/>up share<br/>capital</i> | <i>Capital<br/>redemption<br/>reserve</i> | <i>Other<br/>capital<br/>reserve</i> | <i>Profit and<br/>loss<br/>account</i> | <i>Total</i> |
|---|--|---|--------------------------------------|--|--------------|
|   | <i>£000</i>                            | <i>£000</i>                               | <i>£000</i>                          | <i>£000</i>                            | <i>£000</i>  |
| At 1 April 2016   | 55                                     | 45  | 2,560                                | 21,958                                 | 24,618       |
| Profit for the year   | –                                      | –   | –                                    | 9,593                                  | 9,593        |
| Net actuarial loss  | –                                      | –   | –                                    | (388)                                  | (388)        |
| Deferred tax on actuarial loss                                  | –                                      | –   | –                                    | 66                                     | 66           |
| Retranslation of foreign subsidiary                             | –                                      | –   | –                                    | 56                                     | 56           |
| Dividends paid in specie – transfer of<br>intercompany balances | –                                      | –   | –                                    | (135)                                  | (135)        |
| At 1 April 2017   | 55                                     | 45  | 2,560                                | 31,150                                 | 33,810       |
| Profit for the year   | –                                      | –   | –                                    | 9,015                                  | 9,015        |
| Net actuarial gain  | –                                      | –   | –                                    | 811                                    | 811          |
| Deferred tax on actuarial gain                                  | –                                      | –   | –                                    | (138)                                  | (138)        |
| Retranslation of foreign subsidiary                             | –                                      | –   | –                                    | 27                                     | 27           |
| Dividends paid  | –                                      | –   | –                                    | (500)                                  | (500)        |
| At 31 March 2018  | 55                                     | 45  | 2,560                                | 40,365                                 | 43,025       |

### *Called up share capital*

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

### *Other capital reserve*

*Other capital reserve represents the surplus arising on the revaluation of assets held by the company.*

### *Capital redemption reserve*

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

### *Profit and loss account*

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

## Company Statement of Changes in Equity

at 31 March 2018

|  | <i>Called<br/>up share<br/>capital</i> | <i>Capital<br/>redemption<br/>reserve</i> | <i>Other<br/>capital<br/>reserve</i> | <i>Profit and<br/>loss<br/>account</i> | <i>Total</i> |
|--|--|---|--------------------------------------|--|--------------|
|  | <i>£000</i>                            | <i>£000</i>                               | <i>£000</i>                          | <i>£000</i>                            | <i>£000</i>  |
| At 1 April 2016  | 55                                     | 45  | 2,560                                | 21,357                                 | 24,017       |
| Profit for the year  | –                                      | –   | –                                    | 9,047                                  | 9,047        |
| Net actuarial loss   | –                                      | –   | –                                    | (388)                                  | (388)        |
| Deferred tax on actuarial loss                               | –                                      | –   | –                                    | 66                                     | 66           |
| Dividends paid in specie – transfer of intercompany balances | –                                      | –   | –                                    | (135)                                  | (135)        |
| At 1 April 2017  | 55                                     | 45  | 2,560                                | 29,947                                 | 32,607       |
| Profit for the year  | –                                      | –   | –                                    | 9,010                                  | 9,010        |
| Net actuarial gain   | –                                      | –   | –                                    | 811                                    | 811          |
| Deferred tax on actuarial gain                               | –                                      | –   | –                                    | (138)                                  | (138)        |
| Dividends paid   | –                                      | –   | –                                    | (500)                                  | (500)        |
| At 31 March 2018   | 55                                     | 45  | 2,560                                | 39,130                                 | 41,790       |

### *Called up share capital*

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

### *Other capital reserve*

Other capital reserve represents the surplus arising on the revaluation of assets held by the company.

### *Capital redemption reserve*

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

### *Profit and loss account*

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

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## Notes to the Financial Statements

at 31 March 2018

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### 1. Accounting policies

#### *1.1 Statement of compliance*

John Graham Construction Limited is a private company limited by shares incorporated in Northern Ireland. The registered office is 5 Ballygowan Road, Hillsborough, Co. Down, BT26 6HX. The Group's financial statements have been prepared in compliance with FRS 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" as it applies to the financial statements of the Group for the year ended 31 March 2018.

#### *1.2 Basis of preparation*

The financial statements were authorised for issue by the directors on 20<sup>th</sup> June 2018.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £000.

#### *1.3 Group financial statements*

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March each year. No Profit and Loss Account is presented for John Graham Construction Limited as permitted by section 408 of the Companies Act 2006.

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

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

#### *1.4 Statement of cash flows*

The directors have taken advantage of the exemption in FRS 102 paragraph 1.12 from including a statement of cash flows in the financial statements on the grounds that the Company is wholly owned and its ultimate parent undertaking publishes group financial statements.

## Notes to the Financial Statements (continued)

at 31 March 2018

### 1. Accounting policies (continued)

#### 1.5 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.

#### 1.6 Intangible assets

Intangible assets are purchased computer software. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful life. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. The useful economic lives of intangible assets are as follows:

|                   |   |                           |
|-------------------|---|---------------------------|
| Computer software | – | 10% to 33⅓% straight-line |
|-------------------|---|---------------------------|

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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

|   |   |                           |
|---|---|---------------------------|
| Plant and machinery                     | – | 10% to 33⅓% straight-line |
| Office equipment and computer equipment | – | 10% to 33⅓% straight-line |

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

#### 1.8 Investments

Equity investments are recognised initially at fair value which is normally the transaction price. Subsequently, they are measured at fair value through profit or loss.

#### 1.9 Stocks

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

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## Notes to the Financial Statements (continued)

at 31 March 2018

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### 1. Accounting policies (continued)

#### 1.10 Taxation

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

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

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the Balance Sheet date, dividends have been accrued as receivable.
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

#### 1.11 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date. All differences are taken to the Profit and Loss Account.

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



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## **Notes to the Financial Statements (continued)**

**at 31 March 2018**

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### **1. Accounting policies (continued)**

#### *1.12 Cash and cash equivalents*

Cash and cash equivalents in the Balance Sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

#### *1.13 Short-term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Profit and Loss Account in other operating expenses.

#### *1.14 Leasing and hire purchase commitments*

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

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.

#### *1.15 Operating leases*

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

#### *1.16 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.

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## Notes to the Financial Statements (continued)

at 31 March 2018

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### 1. Accounting policies (continued)

#### 1.17 Financial instruments

##### **Financial Instruments**

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

#### 1.18 Pensions

The Group operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. The scheme became a closed scheme in 1999.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit 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. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur.

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

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## Notes to the Financial Statements (continued)

at 31 March 2018

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### 1. Accounting policies (continued)

#### 1.18 Pensions (continued)

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

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

#### 1.19 Jointly controlled operations

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

#### 1.20 Judgements in applying accounting policies and key sources of estimation uncertainty

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

The following are judgements in applying the accounting policies of the Company that have the most significant effect on amounts recognised in the financial statements:

##### *(i) Operating and finance lease commitments*

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

##### *(ii) Performance of long-term contracts*

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

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## Notes to the Financial Statements (continued)

at 31 March 2018

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### 1. Accounting policies (continued)

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

##### *(iii) Defined benefit pension scheme valuation*

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 22.

##### *(iv) Taxation*

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

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Details of the Company's tax charge are contained in note 8.

### 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 operated in one principal area of activity during the current year, being that of construction. 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 2018 amounted to £4.4m (2017 – £5.5m).

## Notes to the Financial Statements (continued)

at 31 March 2018

### 3. Group operating profit

This is stated after charging/(crediting):

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Auditors remuneration:   |              |              |
| – fees for the audit of the company*   | 49           | 48           |
| – fees for the audit of subsidiary undertakings*                             | 3            | 3            |
| Depreciation of owned fixed assets   | 2,136        | 1,669        |
| Depreciation of assets held under finance leases and hire purchase contracts | 822          | 622          |
| Amortisation of intangible assets  | 487          | 352          |
| Operating leases – property  | 496          | 475          |
| Operating leases – office equipment  | 315          | 374          |
| Operating leases – motor vehicles  | 539          | 466          |
| Rental income, net of outgoings  | (26)         | (26)         |
| Profit on sale of fixed assets   | (184)        | (142)        |

\* Auditors remuneration for services other than the statutory audit of the Company and its subsidiary undertakings are not disclosed since the group financial statements of John Graham Construction Limited's parent, John Graham Holdings Limited, are required to disclose non-audit fees on a group basis.

2018

## Notes to the Financial Statements (continued)

at 31 March 2018

### 4. Directors' remuneration

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Remuneration  | 2,945        | 1,780        |
| Company contributions paid to defined contribution pension scheme | 36           | 120          |
|   | <u>2,981</u> | <u>1,900</u> |

|  | No.      | No.      |
|--|----------|----------|
| The number of directors who:                         |          |          |
| Are members of a defined benefit pension scheme      | 5        | 5        |
| Are members of a defined contribution pension scheme | <u>7</u> | <u>7</u> |

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Amounts attributable to the highest paid director:           |              |              |
| For service as executive                                     | 514          | 319          |
| Company contributions to defined contribution pension scheme | <u>–</u>     | <u>40</u>    |

### 5. Staff costs

|                       | 2018<br>£000  | 2017<br>£000  |
|-----------------------|---------------|---------------|
| Wages and salaries    | 64,062        | 52,557        |
| Social security costs | 6,927         | 5,578         |
| Other pension costs   | 6,238         | 5,061         |
|                       | <u>77,227</u> | <u>63,196</u> |

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

|                | 2018<br>£000 | 2017<br>£000 |
|----------------|--------------|--------------|
| Administrative | 465          | 370          |
| Operational    | 865          | 785          |
|                | <u>1,330</u> | <u>1,155</u> |

**2018**

## Notes to the Financial Statements (continued)

at 31 March 2018

### 6. Interest receivable and similar income

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Interest receivable and similar income   | 208          | 202          |
| Other finance income:                    |              |              |
| – Net return on pension scheme (note 22) | 6            | –            |
|  | <u>214</u>   | <u>202</u>   |

### 7. Interest payable and similar charges

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| Bank loans and overdrafts  | –            | 2            |
| Finance charges under finance leases and hire purchase contracts | 122          | 112          |
| Other finance costs  | –            | 6            |
|  | <u>122</u>   | <u>120</u>   |

### 8. Tax

#### (a) Tax on profit

The tax charge is made up as follows:

|  | 2018<br>£000 | 2017<br>£000 |
|--|--------------|--------------|
| <b>Current tax:</b>                                    |              |              |
| UK corporation tax on profit of the current year       | 1,901        | 2,164        |
| Adjustments in respect of previous years               | (1)          | (38)         |
| Foreign (Republic of Ireland) tax for the current year | 65           | 78           |
| Total current tax                                      | <u>1,965</u> | <u>2,204</u> |
| <b>Deferred tax:</b>                                   |              |              |
| Origination and reversal of timing differences         | 142          | 147          |
| Adjustment in respect of previous years                | (1)          | 16           |
| Effect of changes in tax rates                         | (15)         | 2            |
| Total deferred tax                                     | <u>126</u>   | <u>165</u>   |
| Tax on profit (note 8(b))                              | <u>2,091</u> | <u>2,369</u> |

## Notes to the Financial Statements (continued)

at 31 March 2018

### 8. Tax (continued)

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

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 20%). The differences are explained below:

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Group profit before tax   | 11,106       | 11,962       |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2017 – 20%) | 2,110        | 2,392        |
| <i>Effects of:</i>  |              |              |
| Expenses not deductible for tax purposes  | 31           | 44           |
| Impact of rate change in UK   | (15)         | 2            |
| Different rate on overseas earnings   | (33)         | (47)         |
| Adjustments in respect of previous years  | (2)          | (22)         |
| Total tax for the year (note 8(a))  | 2,091        | 2,369        |



## Notes to the Financial Statements (continued)

at 31 March 2018

### 8. Tax (continued)

#### (c) Deferred tax

|                                | <i>Group</i> | <i>Group</i> | <i>Company</i> | <i>Company</i> |
|--------------------------------|--------------|--------------|----------------|----------------|
|                                | <i>2018</i>  | <i>2017</i>  | <i>2018</i>    | <i>2017</i>    |
|                                | <i>£000</i>  | <i>£000</i>  | <i>£000</i>    | <i>£000</i>    |
| Accelerated capital allowances | (194)        | (185)        | (194)          | (185)          |
| Other timing differences       | (112)        | (163)        | (112)          | (163)          |
| Pension provisions             | 225          | 3            | 225            | 3              |
| Deferred tax asset             | <u>(81)</u>  | <u>(345)</u> | <u>(81)</u>    | <u>(345)</u>   |

#### **Deferred tax:**

|   | <i>Group</i> | <i>Company</i> |
|---|--------------|----------------|
|   | <i>£000</i>  | <i>£000</i>    |
| Asset at 1 April 2017                       | (345)        | (345)          |
| Charge to profit and loss account           | 126          | 126            |
| Charge to statement of comprehensive income | 138          | 138            |
| Asset at 31 March 2018                      | <u>(81)</u>  | <u>(81)</u>    |

#### (d) Factors that may affect future tax charges

From 1 April 2020 taxable profits will be taxed at the rate of 17%. The above rate changes will reduce the future tax liabilities of the company. Deferred tax has been calculated at the rate of tax substantially enacted at the balance sheet date.

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

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

The parent undertaking's Profit after tax for the financial year amounted to £9.0m (2017 – profit £9.6m).

## Notes to the Financial Statements (continued)

at 31 March 2018

### 10. Dividends

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| Dividends in specie – transfer of intercompany balances | –            | 135          |
| Dividend Paid to Parent Company                         | 500          | –            |

### 11. Intangible assets

| <i>Group and Company</i> | <i>Computer<br/>Software<br/>£000</i> |
|--------------------------|---------------------------------------|
| Cost:                    |                                       |
| At 1 April 2017          | 3,878                                 |
| Additions                | 221                                   |
| Disposals                | –                                     |
| At 31 March 2018         | 4,099                                 |
| Amortisation:            |                                       |
| At 1 April 2017          | 1,633                                 |
| Provided during the year | 487                                   |
| Disposals                | –                                     |
| At 31 March 2018         | 2,120                                 |
| Carrying amount:         |                                       |
| At 31 March 2018         | 1,979                                 |
| At 1 April 2017          | 2,245                                 |

**Notes to the Financial Statements (continued)****at 31 March 2018****12. Tangible fixed assets**

| <i>Group</i>        | <i>Plant and<br/>machinery<br/>£000</i> | <i>Office fixtures<br/>and IT<br/>equipment<br/>£000</i> | <i>Total<br/>£000</i> |
|---------------------|---|--|-----------------------|
| Cost:               |   |  |                       |
| At 1 April 2017     | 17,981                                  | 4,375  | 22,356                |
| Additions           | 3,999                                   | 962  | 4,961                 |
| Disposals           | (690)                                   | (329)  | (1,019)               |
| At 31 March 2018    | 21,290                                  | 5,008  | 26,298                |
| Depreciation:       |   |  |                       |
| At 1 April 2017     | 12,236                                  | 2,957  | 15,193                |
| Charge for the year | 2,246                                   | 712  | 2,958                 |
| Disposals           | (681)                                   | (325)  | (1,006)               |
| At 31 March 2018    | 13,801                                  | 3,344  | 17,145                |
| Net book value:     |   |  |                       |
| At 31 March 2018    | 7,489                                   | 1,664  | 9,153                 |
| At 1 April 2017     | 5,745                                   | 1,418  | 7,163                 |

| <i>Company</i>      | <i>Plant and<br/>machinery<br/>£000</i> | <i>Office fixtures<br/>and IT<br/>equipment<br/>£000</i> | <i>Total<br/>£000</i> |
|---------------------|---|--|-----------------------|
| Cost:               |   |  |                       |
| At 1 April 2017     | 17,981                                  | 4,375  | 22,356                |
| Additions           | 3,970                                   | 962  | 4,932                 |
| Disposals           | (690)                                   | (329)  | (1,019)               |
| At 31 March 2018    | 21,261                                  | 5,008  | 26,269                |
| Depreciation:       |   |  |                       |
| At 1 April 2017     | 12,236                                  | 2,957  | 15,193                |
| Charge for the year | 2,245                                   | 712  | 2,957                 |
| Disposals           | (681)                                   | (325)  | (1,006)               |
| At 31 March 2018    | 13,800                                  | 3,344  | 17,144                |
| Net book value:     |   |  |                       |
| At 31 March 2018    | 7,461                                   | 1,664  | 9,125                 |
| At 1 April 2017     | 5,745                                   | 1,418  | 7,163                 |

## Notes to the Financial Statements (continued)

at 31 March 2018

### 12. Tangible fixed assets (continued)

#### *Obligations under finance leases*

Included within fixed assets are the following amounts relating to assets held under finance leases or hire purchase agreements

| <i>Group and Company</i>                  | <i>Plant and<br/>machinery<br/>£000</i> | <i>IT<br/>equipment<br/>£000</i> |
|---|---|----------------------------------|
| Net Book Value at 31 March 2018           | 4,155                                   | 80                               |
| Net Book Value at 31 March 2017           | 2,885                                   | 124                              |
| Depreciation for year ended 31 March 2018 | 753                                     | 69                               |
| Depreciation for year ended 31 March 2017 | <u>563</u>                              | <u>59</u>                        |

### 13. Fixed asset investments

*Company* *£000*

Shares in subsidiaries – cost and net book value:

At 1 April 2017 and 31 March 2018 –

#### ***Subsidiaries***

At the Balance Sheet date, the wholly owned subsidiaries comprise:

| <i>Subsidiary</i>                                    | <i>Principal activity</i>               | <i>Country of<br/>registration</i> |
|--|---|------------------------------------|
| Graham Projects Limited                              | Building and civil<br>engineering works | Republic of Ireland                |
| Irish Waterways Limited                              | Dormant                                 | Northern Ireland                   |
| Northwin Holdings (Belfast) Limited                  | Parent undertaking<br>non-trading       | Northern Ireland                   |
| Northwin Developments (Belfast) Limited <sup>1</sup> | Property development                    | Northern Ireland                   |
| John Graham Construction (Healthcare)<br>Limited     | Non trading                             | Northern Ireland                   |

<sup>1</sup> held by Northwin Holdings (Belfast) Limited.

The registered office of Graham Projects Limited is 1 Northwood Court, Northwood, Santry, Dublin 9. The registered office of all other subsidiaries is 5 Ballygowan Road, Hillsborough, County Down, BT26 6HX.

## Notes to the Financial Statements (continued)

at 31 March 2018

### 13. Fixed asset investments (continued)

#### Joint venture

Details of the jointly controlled entity in which the group and the parent company hold 20% or more of the nominal value of any class of share capital is as follows:

| <i>Joint venture</i>        | <i>Principal activity</i> | <i>Holding</i>  | <i>Equity holding</i> |
|-----------------------------|---------------------------|-----------------|-----------------------|
| Kier Graham Defence Limited | Non - Trading             | Ordinary shares | 50%                   |

### 14. Stocks

|                               | <i>Group</i> | <i>Group</i> | <i>Company</i> | <i>Company</i> |
|-------------------------------|--------------|--------------|----------------|----------------|
|                               | <i>2018</i>  | <i>2017</i>  | <i>2018</i>    | <i>2017</i>    |
|                               | <i>£000</i>  | <i>£000</i>  | <i>£000</i>    | <i>£000</i>    |
| Raw materials and consumables | 73           | 243          | 73             | 243            |

### 15. Debtors

|  | <i>Group</i>   | <i>Group</i>   | <i>Company</i> | <i>Company</i> |
|--|----------------|----------------|----------------|----------------|
|  | <i>2018</i>    | <i>2017</i>    | <i>2018</i>    | <i>2017</i>    |
|  | <i>£000</i>    | <i>£000</i>    | <i>£000</i>    | <i>£000</i>    |
| Trade debtors                              | 59,527         | 35,536         | 58,532         | 34,525         |
| Amounts owed by group companies            | 15,452         | 15,425         | 15,569         | 15,542         |
| Amounts recoverable on long term contracts | 100,876        | 71,125         | 99,580         | 70,550         |
| Other debtors                              | 39             | 355            | 20             | 355            |
| Deferred tax asset (note 8(c))             | 81             | 345            | 81             | 345            |
| Prepayments and accrued income             | 2,304          | 1,747          | 2,303          | 1,745          |
|  | <u>178,279</u> | <u>124,533</u> | <u>176,085</u> | <u>123,062</u> |

### 16. Current asset investments

|                    | <i>Group</i> | <i>Group</i> | <i>Company</i> | <i>Company</i> |
|--------------------|--------------|--------------|----------------|----------------|
|                    | <i>2018</i>  | <i>2017</i>  | <i>2018</i>    | <i>2017</i>    |
|                    | <i>£000</i>  | <i>£000</i>  | <i>£000</i>    | <i>£000</i>    |
| Listed investments | 7            | 8            | 7              | 8              |

The market value of listed investments as at 31 March 2018 was £7k (2017 – £8k).

## Notes to the Financial Statements (continued)

at 31 March 2018

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

|  | <i>Group</i><br><i>2018</i><br><i>£000</i> | <i>Group</i><br><i>2017</i><br><i>£000</i> | <i>Company</i><br><i>2018</i><br><i>£000</i> | <i>Company</i><br><i>2017</i><br><i>£000</i> |
|--|--|--|--|--|
| Trade creditors and accruals                           | 177,803                                    | 130,671                                    | 176,361                                      | 129,051                                      |
| Amounts owed to group companies                        | 375  | 170  | 349  | 170  |
| Corporation tax  | 605  | 1,213                                      | 605  | 1,148  |
| Other taxation and social security costs               | 8,561                                      | 6,125                                      | 8,365  | 6,029  |
| Payments on account                                    | 13,956                                     | 7,893                                      | 13,956                                       | 7,886  |
| Hire purchase and finance lease creditors<br>(note 19) | 1,335                                      | 978  | 1,335  | 978  |
|  | <u>202,635</u>                             | <u>147,050</u>                             | <u>200,971</u>                               | <u>145,262</u>                               |

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

|   | <i>Group</i><br><i>2018</i><br><i>£000</i> | <i>Group</i><br><i>2017</i><br><i>£000</i> | <i>Company</i><br><i>2018</i><br><i>£000</i> | <i>Company</i><br><i>2017</i><br><i>£000</i> |
|---|--|--|--|--|
| Obligations under hire purchase contracts<br>and finance leases (note 19) | 1,875                                      | 1,341                                      | 1,875  | 1,341  |

### 19. Obligations under leases and hire purchase contracts

The group and company use finance leases and hire purchase contracts to acquire plant and machinery. The finance leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments due under finance leases and hire purchase contracts:

| <i>Group and Company totals</i> | <i>Plant and<br/>machinery</i><br><i>2018</i><br><i>£000</i> | <i>IT &amp; office<br/>equipment</i><br><i>2018</i><br><i>£000</i> | <i>Plant and<br/>machinery</i><br><i>2017</i><br><i>£000</i> | <i>IT &amp; office<br/>equipment</i><br><i>2017</i><br><i>£000</i> |
|---------------------------------|--|--|--|--|
| Amounts payable:                |  |  |  |  |
| Within one year                 | 1,325  | 10   | 912  | 66   |
| In two to five years            | 1,847  | 28   | 1,324  | 17   |
|                                 | <u>3,172</u>   | <u>38</u>  | <u>2,236</u>   | <u>83</u>  |

## Notes to the Financial Statements (continued)

at 31 March 2018

### 19. Obligations under leases and hire purchase contracts (continued)

Future minimum rental payments payable under non-cancellable operating leases are as follows:

| Group and<br>Company    | Property<br>2018<br>£000 | Office<br>equipment<br>2018<br>£000 | Motor<br>vehicles<br>2018<br>£000 | Property<br>2017<br>£000 | Office<br>equipment<br>2017<br>£000 | Motor<br>vehicles<br>2017<br>£000 |
|-------------------------|--------------------------|-------------------------------------|-----------------------------------|--------------------------|-------------------------------------|-----------------------------------|
| Within one<br>year      | 383                      | 284                                 | 505                               | 476                      | 315                                 | 422                               |
| In two to five<br>years | 464                      | 119                                 | 717                               | 837                      | 403                                 | 667                               |
|                         | <u>847</u>               | <u>403</u>                          | <u>1,222</u>                      | <u>1,313</u>             | <u>718</u>                          | <u>1,089</u>                      |

### 20. Accruals and deferred income

|                            | Group<br>£000 | Company<br>£000 |
|----------------------------|---------------|-----------------|
| At 1 April 2017            | 315           | 315             |
| Release to profit and loss | (17)          | (17)            |
| At 31 March 2018           | <u>298</u>    | <u>298</u>      |

### 21. Issued share capital

|  | No.     | 2018<br>£      | No.     | 2017<br>£      |
|--|---------|----------------|---------|----------------|
| <i>Allotted, called up and fully paid:</i> |         |                |         |                |
| Ordinary shares of £1 each                 | 52,250  | 52,250         | 52,250  | 52,250         |
| 'A' ordinary shares of 5p each             | 55,005  | <u>2,750</u>   | 55,005  | <u>2,750</u>   |
|  |         | <u>55,000</u>  |         | <u>55,000</u>  |
|  |         |                |         |                |
|  | No.     | 2018<br>£      | No.     | 2017<br>£      |
| <i>Authorised:</i>                         |         |                |         |                |
| Ordinary shares of £1 each                 | 237,500 | 237,500        | 237,500 | 237,500        |
| 'A' ordinary shares of 5p each             | 250,000 | <u>12,500</u>  | 250,000 | <u>12,500</u>  |
|  |         | <u>250,000</u> |         | <u>250,000</u> |

'A' ordinary shareholders receive 5% of the ordinary share dividend for each of their shares. In all other respects the shares rank 'pari passu'.

## Notes to the Financial Statements (continued)

at 31 March 2018

### 22. Pensions

The Company operates a defined benefit pension scheme, the John Graham (Dromore) Limited Pension and Life Assurance Scheme (which is a closed scheme). The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations.

#### *Actuarial valuation*

The valuation used for FRS 102 purposes has been based on the most recent actuarial valuations at 5 April 2016 and has been updated by independent qualified actuaries to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 March 2018; 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 2018. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the schemes for FRS 102 purposes were:

#### (a) Financial assumptions

|  | 2018<br>(% p.a.) | 2017<br>(% p.a.) |
|--|------------------|------------------|
| RPI inflation  | 3.05             | 3.2              |
| CPI inflation  | 2.05             | 2.2              |
| Rate of increase of pensions in payment: prior to 6 April 1997 | 3.00             | 3.0              |
| after 5 April 1997   | 3.60             | 3.6              |
| Discount rate for scheme liabilities                           | 2.55             | 2.5              |

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over actual asset allocation for the scheme at 5 April 2017. 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 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 65 the assumptions are that they will live on average for a further 25 years after retirement if they are male and for a further 27 years if they are female.

The valuation under FRS 102 at 31 March 2018 shows a net pension asset (before deferred tax) of £1,325k (2017 – net pension asset of £17k).



## Notes to the Financial Statements (continued)

at 31 March 2018

### 22. Pensions (continued)

*Actuarial valuation (continued)*

#### (b) Scheme assets at fair value

|  | Value at<br>31 March<br>2018<br>£000 | Value at<br>31 March<br>2017<br>£000 |
|--|--------------------------------------|--------------------------------------|
| <i>Group and Company</i>                     |                                      |                                      |
| Equities                                     | 8,904                                | 8,240                                |
| Corporate bonds                              | 2,992                                | 2,958                                |
| Gilts  | 2,784                                | 2,679                                |
| Cash and other                               | 3,125                                | 3,048                                |
| Assets held in respect of insured pensioners | 4,642                                | 4,418                                |
| Total fair value of scheme assets            | 22,447                               | 21,343                               |
| Present value of scheme liabilities          | (21,122)                             | (21,326)                             |
|  | <u>1,325</u>                         | <u>17</u>                            |

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

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| <i>Group and Company</i>                        |              |              |
| Administration costs                            | 38           | 27           |
| Net interest on net defined benefit liability   | (6)          | 6            |
| Total recognised in the profit and loss account | <u>32</u>    | <u>33</u>    |

#### (d) Analysis of the amount recognised in the Statement of Comprehensive Income

|   | 2018<br>£000 | 2017<br>£000 |
|---|--------------|--------------|
| <i>Group and Company</i>  |              |              |
| Actual return less expected return on pension scheme assets                 | 415          | 2,047        |
| Changes in assumptions underlying the present value of the scheme liability | 396          | (2,435)      |
| Actuarial gain/(loss) recognised in other comprehensive income              | <u>811</u>   | <u>(388)</u> |

## Notes to the Financial Statements (continued)

at 31 March 2018

### 22. Pensions (continued)

#### Actuarial valuation (continued)

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

|                                    | 2018          | 2017          |
|------------------------------------|---------------|---------------|
| <i>Group and Company</i>           | <i>£000</i>   | <i>£000</i>   |
| Opening defined benefit obligation | 21,326        | 18,717        |
| Interest on liabilities            | 529           | 647           |
| Benefits paid                      | (337)         | (473)         |
| Actuarial (gains)/losses           | (396)         | 2,435         |
| Closing defined benefit obligation | <u>21,122</u> | <u>21,326</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.

#### (f) Changes in the fair value of scheme assets

|                                | 2018          | 2017          |
|--------------------------------|---------------|---------------|
| <i>Group and Company</i>       | <i>£000</i>   | <i>£000</i>   |
| Opening value of assets        | 21,343        | 18,026        |
| Expected return on plan assets | 535           | 641           |
| Benefits paid                  | (337)         | (473)         |
| Employer contributions         | 529           | 1,129         |
| Administration expenses        | (38)          | (27)          |
| Actuarial gains                | 415           | 2,047         |
| Closing value of assets        | <u>22,447</u> | <u>21,343</u> |

#### (g) Analysis of movement in asset during the year

|  | 2018         | 2017        |
|--|--------------|-------------|
| <i>Group and Company</i>                             | <i>£000</i>  | <i>£000</i> |
| Asset/(liability) in scheme at beginning of the year | 17           | (691)       |
| Contributions  | 529          | 1,129       |
| Net interest income/(expense)                        | 6            | (6)         |
| Administration expenses                              | (38)         | (27)        |
| Actuarial gain/(loss)                                | 811          | (388)       |
| Asset in scheme at end of the year                   | <u>1,325</u> | <u>17</u>   |

The Company contributed £27,400 per month and an additional payment of £200k. Regular employer contributions during year ended 31 March 2019 are estimated to be £328k.

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## Notes to the Financial Statements (continued)

at 31 March 2018

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### 23. 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.

### 24. Off-balance sheet arrangements

The group and parent company enters into operating lease arrangements for the hire of buildings and plant and equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The group lease rental expense for the year is disclosed in Note 3 and the group and company commitments under these arrangements are disclosed in Note 19. There are no other material off-balance sheet arrangements.

### 25. Related party transactions

The Company has taken advantage of the exemption granted by paragraph 33.1A of FRS102, Related Party Disclosures from disclosing transactions with 100% owned subsidiaries that are part of the John Graham Holdings Limited Group of companies.

### 26. Ultimate parent undertaking and controlling party

The Company's ultimate parent undertaking and controlling party is John Graham Holdings Limited.

The parent undertaking of the smallest and largest group for which group financial statements are prepared that include the company is John Graham Holdings Limited.

Copies of the group financial statements of John Graham Holdings Limited, which include the Company, can be obtained from the Company Secretary at 5 Ballygowan Road, Hillsborough, County Down, BT26 6HX.