

Company number 11056197 (England and Wales)

**OSBORNE GROUP HOLDINGS LTD**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**



# OSBORNE GROUP HOLDINGS LTD

## COMPANY INFORMATION

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### Company board

Chairman	A S C Osborne <sup>1,2</sup>	MA (Oxon), FCA
Chief Executive	A P Steele	BSc (Hons), ARICS
Director	S Hammond	FCCA
Non-executive director	M J Strong <sup>1,2</sup>	FRICS
Non-executive director	A Little <sup>1,2</sup>	BA, FCIPS

### Key

<sup>1</sup> = Member of Remuneration Committee

<sup>2</sup> = Member of Audit Committee

Company number	11056197	England and Wales
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Registered office	Fonteyn House 47-49 London Road Reigate Surrey United Kingdom RH2 9PY
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Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Portland Building 25 High Street Crawley West Sussex RH10 1BG
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# **OSBORNE GROUP HOLDINGS LTD**

## **CONTENTS**

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	<b>Page(s)</b>
Strategic report	1 - 6
Directors' report	7 - 8
Independent auditor's report	9 - 10
Consolidated income statement	11
Consolidated statement of comprehensive income	12
Consolidated statement of financial position	13
Company statement of financial position	14
Consolidated statement of changes in equity	15
Company statement of changes in equity	16
Consolidated statement of cash flows	17
Notes to the consolidated financial statements	18 - 35

# OSBORNE GROUP HOLDINGS LTD

## STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their strategic report for the group for the year ended 31 March 2019.

We are a developer, building, civil engineering and property maintenance contractor and off-site manufacturer of buildings. Our diverse range of businesses allow us to explore opportunities with our customers, whilst also spreading risk.

Our core activities of building, civil engineering and property maintenance generate cash to allow us to invest in development and other strategic opportunities, including the provision of buildings manufactured off-site. Investing in long-term opportunities provides the potential to improve our long-term return to shareholders, and is aligned with our goal of creating sustainable business value growth.

This approach has delivered another successful year, achieving a profit before tax of £2.3m (2018: £12.6m). This is broadly in line with expectations following a record profit last year, led by our development activity.

### Principal activities and review of the business

The company does not trade but is the ultimate parent and holding company of:

- The Geoffrey Osborne Limited group
- The Osborne Developments Holdings Ltd group
- Innovare Systems Limited

The principal activities of the Geoffrey Osborne Limited group are building and civil engineering contracting and property maintenance.

The principal activity of the Osborne Developments Holdings Ltd group is property development.

The principal activities of Innovare Systems Limited are the design, manufacture and installation of structural insulated panel systems.

### Overview of the business

The group's key financial and non-financial performance indicators during the year were as follows:

	2019	2018
	£000	£000
Turnover	392,141	318,315
Profit before taxation	2,253	12,645
Total net assets	17,801	17,379
Secured 12-month order book	306,500	330,600
Accident Frequency Rate (AFR)	0.17	0.19
Last Time Injury Frequency Rate (LTIFR)	0.41	0.48
Environmental Incidence Frequency (EIF)	0.12	0.20
Average number of employees	1,052	915
Voluntary employee churn rate	15.0%	14.0%
Employee engagement	3.27	3.26

Turnover was divided among the group's key market sectors as follows:

	2019	2018
	£m	£m
Affordable Housing Maintenance	58.8	46.8
Affordable Housing New Build	39.2	12.4
Commercial	48.8	39.5
Education	94.7	97.1
Healthcare	0.3	3.9
Highways	70.5	54.0
Rail	78.5	64.4
Contracting activities	390.8	318.1
Sale of development land	0.9	-
Rental income	0.4	0.2
	392.1	318.3

# OSBORNE GROUP HOLDINGS LTD

## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### Overview of the business (continued)

The Infrastructure business secured places on significant highways and rail frameworks, whilst continuing to strike a balance of workload between highways and rail, achieving record sales in the process.

The Construction business secured several significant projects during the year which has driven a large increase in commercial activity and in affordable housing new build.

Affordable housing maintenance activity increased following two new maintenance contracts being secured towards the end of the prior year.

### Reducing risk profile

Despite the acceleration of the deficit recovery plan during the year, which saw deficit contributions increase to £1,014,000 (2018: £678,000), the pension deficit liability has increased to £1,755,000 (2018: £1,491,000). The impact of the ruling in Lloyds Banking Group Pension Trustees Limited vs. Lloyds Bank plc and others will likely lead to higher pensions for some of the members who were in the group's defined benefit pension scheme between 1990 and 1997. The estimated impact of this ruling is an increase of 2.8% of the total value of scheme liabilities, which has resulted in an increase in the deficit of £657,000. The directors remain determined to clear this deficit as soon as practicable.

The group's revolving credit facility of £2,000,000 was repaid in full in December 2018, ensuring that the group is now largely debt free, aside from specific asset financing in Innovare Systems Limited of £598,000 (2018: £739,000). The group continues to maintain a conservative level of trading cash in order to maintain adequate working capital to withstand any unforeseen cash challenges.

The hivedown of the group's Infrastructure business is ongoing, with the rail division due to be completed during the coming year. This will provide both better clarity for those within the business and increased transparency of performance.

### Forward orders

The secured 12 month order book at £306,500,000 at April 2019 is 7.9% lower than last year (2018: £330,600,000). The secured 12 month figure is the estimated sales for the next 12 months on projects where there is either a contract or a letter of intent. An increase in the Infrastructure business from the recently gained long-term framework agreements with Highways England and Network Rail has been offset by a corresponding decrease in the Construction business, following slower than expected securing of new contracts reflected in anticipated work; in addition to secured work, the group has £65,300,000 (2018: £25,400,000) of orders for the coming year which are currently in second stage or single source negotiation.

The overall forward order book at April 2019 stands at £765,969,000 (2018: £670,900,000), which includes the impact of these new long-term framework agreements.

### Safety, health and environment and sustainability

The group's safety, health and environment (SHE) performance contributes to our overall reputation with stakeholders. Any incident that causes harm has the potential to damage our reputation and reduces the likelihood of securing future work. The group operates established and robust health, safety and wellbeing systems, which include regular site visits by internal SHE staff, regular monitoring and reporting, and recording improvement opportunities including near misses. Regular health, safety and wellbeing briefings and our STOP Think! behavioural training also forms part of the mitigation of this risk.

Whilst safety remains of fundamental importance in everything the group does, the directors continue to recognise that health and well being are of equal importance. The group has continued to take part in the Mind Workplace Wellbeing Index, recognised as a benchmark of best policy and practice. The group's index score increased in 2018/19 to 65% up from 57% in the previous year, and was issued Mind's Silver Award in recognition of the standards achieved, a step up from the Bronze Award achieved last year. Good progress continues to be made towards the group's target to obtain the Gold Standard by 2021. The group remains one of only seven construction companies in the UK working on this index. In addition the number of trained mental health first aiders in the group has increased to 75 from 49 last year.

The group has improved a number of key SHE performance indicators during the year. The headline figure of Accident Frequency Rate (AFR) has improved slightly from 0.19 to 0.17. This valuable, albeit lagging, indicator is supplemented by other leading indicators such as senior management tours, identification of Improvement Opportunities, training attendance and inspection close out rates. Lost Time Injury Frequency Rate (LTIFR) has improved from 0.48 to 0.41 and Environmental Incidence Frequency rate is down from 0.20 to 0.12.

The group continues to research and invest in reducing our CO<sub>2</sub> emissions. We have trialled the use of telematics on our van fleet to help positively influence driver behaviour and a system known as "Lightfoot" is being progressively installed across our van fleet, which delivers driver feedback in real-time, rather than relying on retrospective data. The trial data concluded that each vehicle installed with these telematics potentially delivers an average fuel consumption improvement of 9% across our current fleet of 251 vans, which is expected to contribute to a reduction in the 3,177 tonnes of CO<sub>2</sub> produced during the year by all our vehicles. We have also trialled the use of electric vehicles by using electric vans on one of our Property Services contracts during the year.

## OSBORNE GROUP HOLDINGS LTD

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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#### **Safety, health and environment and sustainability (continued)**

We have also committed to the Highways England "Driving for Better Business" programme aimed at improving the safety of all road users. Our fleet management arrangement is approved by The Royal Society for the Prevention of Accidents (RoSPA) and company vans are compliant with the Fleet Operator Recognition Scheme (FORS) system. The group was awarded the RoSPA President's Award (Fleet Safety Award) for management of occupational road risk and the RoSPA President's Award for health and safety performance during the year.

#### **Corporate responsibility and community investment**

Guidance on professional and ethical conduct is set out in the group's Governance Manual, which is available to all employees on the group's intranet. The board fully support a more diverse and inclusive business, and our Equality, Diversity and Inclusion and sustainability strategies collectively support us in this aim.

We take our social responsibilities seriously and established our own internal suite of social value metrics during the year, as well as introducing social value champions across all of our operating businesses. Going forward we intend to trial an externally verifiable social value tool to achieve a more consistent method of calculating social value across our industry.

The group contributed £78,000 in charitable donations (2018: £231,000). The decrease was largely due to a major project last year celebrating our 50th year to extend facilities for a Children's Charity for the Demelza "Space to Grow" project. 3.31% of our pre-tax profits were contributed to a wide variety of worthwhile causes benefiting children, hospice support, cancer care, mental health and support to both vulnerable and elderly people.

Giving back to our local communities continues to grow with a variety of initiatives to include creating pathways to employment through work experience placements, mock interviews and mentoring. To address social isolation we supported a vintage tea party, launched a campaign to help build confidence and opportunity for women of domestic abuse as well as our people using their development day to volunteer at a riding school for people with disabilities, amongst other wider charitable activities.

#### **Common brand and values**

The group's business is complex. Every day there are thousands of interactions between colleagues and with customers, suppliers and the public.

A Code of Conduct has been published, which details the group's values and provides guidance to direct our employees' decision making in their everyday actions when needed. The Code helps the directors and all employees to hold themselves and colleagues to account for their behaviour. It explains what individuals should do if they experience any behaviour that they believe is unethical, illegal or which falls short of our expected standards.

The group has a whistleblowing policy to protect employees who wish to report any unethical, illegal or inappropriate behaviour, and works with Protect, an independent whistleblowing charity, who provide confidential advice.

#### **Supply chain**

Working more closely with key supply chain partners is aligned to our long term sustainable business goal, as it provides more certainty to project outcomes, and remains an important part of the group's supply chain approach. One important aspect of our relationship with our supply chain is paying fairly.

The government has introduced a requirement for the UK's largest companies to report on a half-yearly basis on their payment practices. We have reported Geoffrey Osborne Limited's payment practices in accordance with government requirements. When compared to our industry peers, our statistics places us mid-table in terms of payment performance, taking on average 42 days to pay suppliers, working towards an average of 30 days.

The Geoffrey Osborne Limited group is proud to be a signatory to the Prompt Payment Code, to which we undertake to pay suppliers on time and encourage good practice. Paying 95% of invoices within 60 days is also a target under the Code. We have had several long-standing agreements with national suppliers that have meant we have not met this target; we are systematically working through these agreements so that we will. Since December 2018 we have paid at least 90% of invoices within 60 days, rising to 95% in May 2019.

As part of our commitment to industry best practice we have collaborated with a specialist provider to develop and adopt a simple to use cloud based payment processing service. The Webcontractor system, which is being rolled out across the group, provides our subcontractors with an unrivalled level of transparency as to where each payment application is in the payment process. The system also includes controls that ensure compliance with payment provision under the 2009 Construction Act and enables increased levels of visibility around paying our subcontractors on time.

The Webcontractor system is now beginning to be used by other contractors. We are proud to have been shortlisted for the Construction News Awards 2019 in the 'Best Use of Technology' category.

## OSBORNE GROUP HOLDINGS LTD

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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#### People engagement

The group continues to use an independent employee engagement survey process. This allows the group to measure and compare the degree of employee engagement with a benchmark of over 17 million responders.

The directors are satisfied that the overall engagement score is ranked as 'Good' in comparison with the benchmark, and has increased to 3.27 from 3.26 last year. We are continually striving to learn and improve our engagement scores.

Following feedback on our rewards packages from previous engagement surveys, the directors commissioned a rewards specialist to undertake detailed analysis into how the group's pay and benefits are positioned in the marketplace. The directors were pleased to learn that on the whole our pay levels, which have been benchmarked during the year, are in-line or exceed the markets in which we operate.

The benefits we provide are in some areas better than the industry average, for example the degree of private health care offered. Improved policies on maternity, paternity, adoption and shared parental leave were introduced with effect from April 2019.

The group's voluntary employee churn rate remains steady at 15.0% (2018: 14.0%). This is slightly higher than the benchmark figures and the directors are looking to reduce this to 12.0% during the next financial year.

The group provides a confidential employee assistance programme that is available 24/7 to all employees, which offers independent guidance and advice on any personal or work-related issues.

#### Recruitment

The group continues to reduce dependency on recruitment through recruitment agencies and as a result 62% (2018: 55%) of the 245 (2018: 235) new hires during the year were secured directly rather than through agencies. Personal introductions by existing staff for new hires continues to be a strong source of new talent with those recommendations accounting for 15.0% (2018: 9.5%) of all hires during the year.

#### Training

In April 2019 the group implemented a new Learning Management System ("LMS"), which now supports all learning across the group. The LMS will widen access to learning and development for all employees and manage all compliance-based learning.

Across the group 3,287 (2018: 2,584) formal training days have been delivered to employees. The STOP Think! Behavioural Change Programme has continued to grow significantly: a total of over 2,000 participants now having attended the STOP Think! Launch Day and a further 250 people have attended a two day refresher module during 2018/19.

In all 798 employees have attended a STOP Think! event this year. Customers and supply chain partners continue to support the programme by committing their own employees as participants alongside our own people, contributing to a total of 1,007 STOP Think! training days being delivered during the year.

#### Data protection

Following the implementation of the General Data Protection Regulations (GDPR) legislation in 2018, we have continued to progress our GDPR action plan to ensure that we are fully compliant with both the GDPR legislation and the Data Protection Act 2018.

The group's Data Protection Officer (DPO) is accountable to proactively and continuously monitor compliance, carry out audits and advise managers on the use of data protection impact assessments and provide independent advice. During the year the group has successfully dealt with 11 Subject Access Requests (SARs) and engaged positively with the Information Commissioner's Office (ICO), who provided positive feedback on the ways in which we deal with SARs.

During the year the group has undertaken a GDPR audit by an external specialist, which concluded that the group demonstrates a high level of GDPR compliance. We remain vigilant against complacency, and seek to implement improvements identified during both our GDPR audit and an external cyber security audit.

#### Gender pay gap

Gender Pay Gap reporting provides a measure of the difference in the average pay of men and women. Each year Geoffrey Osborne Limited and Osborne Property Services Limited, companies within the group, publish their gender pay gap statistics in accordance with Government requirements, with the figures published based on data collected at a specified reference date back in April 2018. The directors are pleased to see that these results are moving in the right direction but we are still working to improve the gap.

The median gender pay gap is the difference in pay between the middle value of male and female employees ranked in order of highest salary to lowest salary. The mean gender pay gap shows the difference in average hourly pay between men and women.

The directors were particularly pleased to note that the mean gender pay gap result of 28.9% has improved from 36.1% last year. Our median pay gap result of 29.3% has also improved from 34.1% last year. In addition, the directors were pleased to note that in the under 40 years of age category, the mean gender pay gap improved to 0.6% from 8.7% last year, and the median pay gap also improved to 9.9% from 17.0% last year. The group employs a total of 266 women as at 31 March 2019 (2018: 255), an increase of 4.3%.

## OSBORNE GROUP HOLDINGS LTD

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

#### Results

The profit before taxation was £2,253,000 (2018: £12,645,000). After making provision for taxation the profit for the financial year was £1,703,000 (2018: £11,083,000). The consolidated income statement for the year is set out on page 11.

Given the uncertainty around Brexit and additional pension liabilities not anticipated at the start of the year, the directors are satisfied with the overall level of profitability, which is broadly in line with expectations following a record profit last year.

Total net assets have increased to £17,801,000 (2018: £17,379,000), an increase of £422,000. This increase is primarily due to the profit for the financial year less the actuarial loss on the defined benefit pension scheme and dividends paid. The group's cash balance has decreased to £28,438,000 (2018: £31,907,000), largely due to the group's revolving credit facility of £2,000,000 being repaid in full during the year.

#### Principal risks and uncertainties

The principal risks and uncertainties facing the group are set out below.

##### *Leadership and management capability*

We have continued development for our senior teams in 2018/19 to further embed the key themes of collaboration and building high performing teams through two "Masterclasses". Following this programme our senior leaders will be better equipped with the skills to understand what makes successful teams and what they can do to lead high performing teams across our business.

To encourage longer-term focus of senior directors within the group and to align with the business' long-term sustainable growth, a new long-term incentive scheme was introduced, with various subsidiary companies issuing a total of 209,561 growth shares during the year. This new scheme has replaced an existing cash-based long-term incentive plan. The growth shares entitle the holders to a share of the future growth in value of each subsidiary company, as determined by an agreed calculation, up to the cessation of their employment within the group, or in an exit event. The holders also hold a put option over 50% of the growth shares, which can be sold back to the group at a calculated price after the cessation of a qualifying period of service.

##### *Brexit*

Brexit uncertainty is a key issue for all organisations and depending on their degree of EU related exposure some businesses will be more vulnerable than others. We undertake regular reviews of the potential impacts to the group as a consequence of disruption due to a complex exit deal or indeed a no-deal outcome. We continue to target collaborative long-term framework agreements with customers and have introduced specific bid qualifications and exclusion clauses associated with Brexit to mitigate these impacts.

This is a complex set of circumstances that continue to change with many unknowns that makes it extremely difficult to accurately assess and mitigate the associated risks. Our investigations principally fall into two main risk elements, our people (availability of skilled trades and supervision) and materials (particularly those sourced and supplied from the EU).

The group purchases some goods from mainland Europe, hence is exposed to potential adverse movements in the long-term Euro exchange rate and potential delivery delays. Movements in exchange rates and any long-term trends are reviewed regularly to ensure the risk of losses on foreign currency transactions are kept to a minimum. Higher stock levels are being held to mitigate against any potential delivery delays.

Leaving the EU is also likely to impact on the availability of skilled workers given the relatively large proportion of the labour force, particularly in the group's main geographical area of operations, that comes from Europe. The group maintains regular contact with suppliers and subcontractors to ensure supply is available in line with project timelines.

##### *Market risk*

Following the collapse of Carillion in January 2018 and Interserve entering administration in March 2019, the fragility of some of the larger operators in the industry continues to cause concern, in particular the impact these major events can have on the industry's wider supply chain. This remains a significant risk in the coming year and we continue to assess our own suppliers' exposure and vulnerability.



## OSBORNE GROUP HOLDINGS LTD

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

#### Principal risks and uncertainties (continued)

##### Project delivery

Poor operational delivery of projects, whether through late delivery or quality of workmanship, could incur additional costs that erode profit margins and cash. It is also possible that customer experiences fall short of group standards, potentially leading to reduced repeat work or referrals. In recognition of this, we have appointed a Group Performance Improvement Manager, who supports project teams to ensure the accurate control and recording of quality performance through quality management systems.

A successful trial of a Project Information Management (PIM) mobile app has been completed and is being progressively rolled out across the group. This enables our employees to capture and log images that evidence specification and workmanship compliance and raise observations that require rectification, prior to projects being handed over to customers.

The group has instigated supply chain quality workshops initially focussed on the external building envelope trades such as roofing, cladding, curtain walling and windows. These will be expanded on in 2019/20 to include fit out trades such as M&E, carpentry/joinery and ceilings/partitions.

The group's governance process has formal gateways designed to minimise volatility and maximise the opportunity to deliver continuous improvement in project delivery. This process has benefitted from several external audits to make continued improvements. The group continues to be certified for ISO 9001 and ISO 14001 and successfully transitioned to ISO 45001 during the year. Our Construction and Property Services businesses continue to be externally endorsed by the Institute of Customer Service ServiceMark Accreditation.

The established Improvement Opportunities (IO) process has reached 34,000 logged improvements. The development of the IO app last year has significantly helped, allowing ideas to be logged far quicker and easier and from remote locations. Group-wide IO panels are established to review, action and feedback to those individuals raising improvement ideas, as well as escalating recommendations for Board endorsement and investment.

##### Liquidity and financing

This has increased as a risk due to Carillion and Interserve, however, the group maintains a strong cash balance to mitigate the need for borrowing and to provide financing options for development opportunities. Borrowing is only undertaken for investment purposes.

The group relies upon bond facilities for traditional construction and infrastructure projects, and has facilities with five sureties to provide enough bond capacity for the foreseeable future. No speculative trading in financial instruments is carried out.

We have an increasing number of Project Bank Accounts, however, these have not had a significant impact on our cash flow. There has also not been a significant impact on our cash flow due to paying suppliers earlier as a result of working towards an improvement in our payment practices performance.

Scenario planning is regularly reviewed by directors in relation to cash forecasting, particularly prior to making material cash investment decisions.

The importance of financial risk management remains. The group continues to operate a comprehensive trade contractor vetting process alongside procedures to ensure credit and other financial checks are carried out on both customers and trade contractors as appropriate. Credit insurance is obtained where appropriate.

On behalf of the board



A P Steele  
Group Chief Executive  
27 June 2019

# OSBORNE GROUP HOLDINGS LTD

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and the audited financial statements of the group and company for the year ended 31 March 2019.

### Directors

The following directors have, unless otherwise stated, held office since 1 April 2018 and up to the date of the signing of the financial statements:

A S C Osborne	
A P Steele	
S Hammond	
M J Strong	
T J Matthews	(Resigned 9 August 2018)
A Littley	(Appointed 1 September 2018)

### Going concern

Having made appropriate enquiries, the directors are satisfied that the group has adequate resources to continue operating for the foreseeable future. For this reason the directors have continued to adopt the going concern basis when preparing the financial statements:

### Financial risk management

The group's activities expose it to a variety of financial risks. The directors consider that credit risk and liquidity risk are the main risks. Credit risk is managed by performing relevant checks on any potential new customers and suppliers as well as periodic reviews of existing key customers and suppliers. Liquidity risk management to enable the group to meet its obligations as they fall due is carried out through cash flow forecasts and prompt chasing of debts as they fall due.

### Dividends

Two interim dividends totalling £698,000 (2018: two interim dividends totalling £622,000) were approved and paid during the year. The directors do not recommend the payment of a final dividend in respect of 2019 (2018: £nil).

### Future developments

The directors consider that the breadth of activities undertaken by the group and the quality of relationships with its customers leaves it well placed to deal with any structural changes that may occur in the market.

From 1 April 2019, a refinement of the group's organisational structure has been implemented with the Construction, Homes, and Property Services businesses joining together to create a Built Environment business in order to strengthen market focus and consistency of project delivery.

### Charitable contributions

During the year the group made charitable donations of £78,000 (2018: £231,000) as set out below. The decrease was largely due to an exceptional major project undertaken to extend facilities for a Children's Charity Demelza in 2018. The "Space to Grow" project was part of our 50th anniversary celebration. The group aims to donate 1% of profit to charities each year and this year we have exceeded this aim in 2018/19 with 4.58% of profit donations made.

	2019	2018
	£000	£000
Educational charities	9	19
Local community charities	11	4
Demelza	25	199
National welfare charities	33	9
	<u>78</u>	<u>231</u>

No contributions were made to any political party (2018: £nil).

### Employee involvement

The directors view the engagement and motivation of everyone in the group as key to the success of the business and its customers and suppliers. To achieve this, constant and consistent communication is critical at all levels. The directors monitor that managers hold regular, open, two way discussions with our people to enhance engagement, involvement and performance. Our people are encouraged to personally engage with seeking and participating in improvement opportunities, however small or large.

Each business area holds employee roadshows and holds cascade briefings as appropriate. These localised actions are supported by a wider range of group communication and engagement activities including inductions, e-bulletins and a newly launched Learning Management System. Leadership and development training is an important part of our business planning to help our people deliver their full potential to the group's growth and profitability. An annual engagement survey is carried out to help monitor employee engagement as well as identify priority areas for action.

# OSBORNE GROUP HOLDINGS LTD

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### Employee involvement (continued)

Our annual Chairman's Awards provide an opportunity to celebrate and share success. The scheme is open to nominations across the group and our supply chain, and is extremely well supported, attracting over 300 nominations in 2018/19. We also recognise employees who have achieved 10, 20 and 30 years' service to the company at our annual Long Service Awards evening.

### Disabled persons

The group gives every consideration to applicants with disabilities where the requirements of the role can be adequately performed with reasonable adjustments to support the employee once in post. With regard to existing employees that have declared a disability and those who have become disabled during the year, the group has continued to examine reasonable adjustments to support continuing employment. The group understands that career opportunities are important to all our employees and provides training, career development and promotion identical to that of an employee who does not suffer from a disability. This practice is reflected within our Equality, Diversity and Inclusion Strategy and supports our continuing quest to shape a diverse workforce.

### Directors' indemnities

The company purchased and continues to maintain directors' and officers' liability insurance cover in respect of itself and its directors.

### Independent auditor

The auditor, PricewaterhouseCoopers LLP, has indicated their willingness to continue in office. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

### Events after the reporting period

On 5 May 2019 the group purchased development land in Colchester, Essex for £1,325,000 following the achievement of satisfactory planning permission.

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

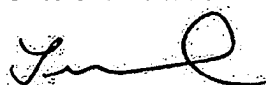
The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditor

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditor is aware of that information.

On behalf of the board



S Hammond

Director

27 June 2019

# OSBORNE GROUP HOLDINGS LTD

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OSBORNE GROUP HOLDINGS LTD

### Report on the audit of the financial statements

#### Opinion

In our opinion, Osborne Group Holdings Ltd's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the report and financial statements (the "annual report"), which comprise: the consolidated and company statements of financial position as at 31 March 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

#### Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the strategic report and directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and directors' report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and directors' report.

# OSBORNE GROUP HOLDINGS LTD

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF OSBORNE GROUP HOLDINGS LTD

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the statement of directors' responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Michael Jones (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick  
27 June 2019

# OSBORNE GROUP HOLDINGS LTD

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019	2018		Total £000
		Total £000	Continuing operations £000	Discontinued operations £000	
<b>Turnover</b>	<b>5</b>	392,141	318,315	-	318,315
Cost of sales		(359,268)	(287,390)	-	(287,390)
<b>Gross profit</b>		<b>32,873</b>	<b>30,925</b>	<b>-</b>	<b>30,925</b>
Administrative expenses					
Exceptional items	<b>6</b>	(657)	-	-	-
Other administrative expenses		(32,872)	(31,419)	-	(31,419)
<b>Total administrative expenses</b>		<b>(33,529)</b>	<b>(31,419)</b>	<b>-</b>	<b>(31,419)</b>
<b>Operating loss</b>	<b>7</b>	<b>(656)</b>	<b>(494)</b>	<b>-</b>	<b>(494)</b>
Share of profit of joint ventures	<b>14 (b)</b>	3,079	9,130	4,097	13,227
<b>Profit before interest and taxation</b>		<b>2,423</b>	<b>8,636</b>	<b>4,097</b>	<b>12,733</b>
Interest receivable and similar income	<b>8</b>	2	98	-	98
Interest payable and similar expenses	<b>9</b>	(172)	(186)	-	(186)
<b>Profit before taxation</b>		<b>2,253</b>	<b>8,548</b>	<b>4,097</b>	<b>12,645</b>
Tax on profit	<b>10</b>	(550)	(1,574)	12	(1,562)
<b>Profit for the financial year</b>		<b>1,703</b>	<b>6,974</b>	<b>4,109</b>	<b>11,083</b>

The notes on pages 18 to 35 are an integral part of these financial statements.

**OSBORNE GROUP HOLDINGS LTD****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £000	2018 £000
Profit for the financial year		1,703	11,083
Revaluation of freehold land and buildings		84	944
Actuarial losses on pension scheme	21	(670)	(240)
Tax on components of other comprehensive income	10	1	(224)
<b>Total comprehensive income for the year</b>		<b>1,118</b>	<b>11,563</b>

The notes on pages 18 to 35 are an integral part of these financial statements.

**OSBORNE GROUP HOLDINGS LTD**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	13	5,721	5,847
Investment in joint ventures	14 (b)	3,079	-
		<u>8,800</u>	<u>5,847</u>
<b>Current assets</b>			
Stocks	15	475	1,215
Debtors (including £4,584,000 (2018: £4,746,000) due after one year)	16	100,285	77,748
Cash at bank and in hand		28,438	31,907
		<u>129,198</u>	<u>110,870</u>
<b>Creditors: amounts falling due within one year</b>	17	(107,963)	(87,784)
<b>Net current assets</b>		<u>21,235</u>	<u>23,086</u>
<b>Total assets less current liabilities</b>		<u>30,035</u>	<u>28,933</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(7,908)	(7,130)
<b>Provisions for liabilities</b>	19	(2,571)	(2,933)
<b>Net assets excluding pension liability</b>		<u>19,556</u>	<u>18,870</u>
<b>Pension liability</b>	21	(1,755)	(1,491)
<b>Net assets</b>		<u>17,801</u>	<u>17,379</u>
<b>Capital and reserves</b>			
Called up share capital	22	15	15
Revaluation reserve		2,089	2,005
Retained earnings		32,732	32,396
Reverse acquisition reserve		1,153	1,153
Merger reserve		(18,190)	(18,190)
<b>Equity attributable to owners of the parent</b>		<u>17,799</u>	<u>17,379</u>
<b>Non-controlling interests</b>		<u>2</u>	<u>-</u>
<b>Total equity</b>		<u>17,801</u>	<u>17,379</u>

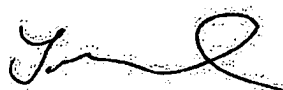
The notes on pages 18 to 35 are an integral part of these financial statements.

The financial statements on pages 11 to 35 were approved by the board of directors on 27 June 2019 and were signed on its behalf by:



A S C Osborne  
Chairman

Company number 11056197 (England and Wales)



S Hammond  
Director



# OSBORNE GROUP HOLDINGS LTD

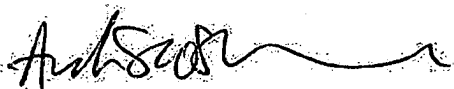
## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Investment in subsidiary undertakings	13 (a)	8,644	8,642
		<u>8,644</u>	<u>8,642</u>
<b>Current assets</b>			
Debtors	16	159	-
Cash at bank and in hand		346	6
		<u>505</u>	<u>6</u>
<b>Creditors: amounts falling due within one year</b>	17	(10)	-
		<u>495</u>	<u>6</u>
<b>Net current assets</b>			
		<u>9,139</u>	<u>8,648</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>	18	(4,363)	(4,194)
		<u>4,776</u>	<u>4,454</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	22	15	15
Retained earnings		4,761	4,439
		<u>4,776</u>	<u>4,454</u>
<b>Total equity</b>			
		<u>4,776</u>	<u>4,454</u>

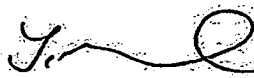
The company's profit for the year was £1,020,000 (2018: loss of £2,674,000) and the company's total comprehensive income for the year was £1,020,000 (2018: total comprehensive expense of £2,674,000).

The notes on pages 18 to 35 are an integral part of these financial statements.

The financial statements on pages 11 to 35 were approved by the board of directors on 27 June 2019 and were signed on its behalf by:



A S C Osborne  
Chairman  
Company number 11056197 (England and Wales)



S Hammond  
Director

# OSBORNE GROUP HOLDINGS LTD

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital £000	Revaluation reserve £000	Retained earnings £000	Reverse acquisition reserve £000	Merger reserve £000	Equity attributable to owners of the parent £000	Non- controlling interests £000	Total equity £000
<b>Balance at 1 April 2017</b>	-	1,078	15,141	1,153	74	17,446	-	17,446
Profit for the financial year	-	-	11,083	-	-	11,083	-	11,083
Other comprehensive income for the year	-	944	(464)	-	-	480	-	480
<b>Total comprehensive income for the year</b>	-	944	10,619	-	-	11,563	-	11,563
Issue of shares to shareholders of subsidiary	-	-	-	-	24	24	-	24
Repurchase of capital from shareholders of subsidiary	-	-	(2,339)	-	-	(2,339)	-	(2,339)
Dividends paid to shareholders of subsidiary	-	-	(408)	-	-	(408)	-	(408)
Redemption of loan notes	-	-	-	-	2,742	2,742	-	2,742
Issue of shares	21,030	-	-	-	-	21,030	-	21,030
Capital reduction and demerger of subsidiaries	(13,688)	-	2,253	-	(21,030)	(32,465)	-	(32,465)
Dividends paid	-	-	(214)	-	-	(214)	-	(214)
Capital reduction	(7,327)	-	7,327	-	-	-	-	-
Transfer	-	(17)	17	-	-	-	-	-
<b>Total transactions with owners</b>	15	(17)	6,636	-	(18,264)	(11,630)	-	(11,630)
<b>Balance at 31 March 2018</b>	15	2,005	32,396	1,153	(18,190)	17,379	-	17,379
Profit for the financial year	-	-	1,703	-	-	1,703	-	1,703
Other comprehensive income for the year	-	84	(669)	-	-	(585)	-	(585)
<b>Total comprehensive income for the year</b>	-	84	1,034	-	-	1,118	-	1,118
Issue of shares in subsidiary	-	-	-	-	-	-	2	2
Dividends paid	-	-	(698)	-	-	(698)	-	(698)
<b>Total transactions with owners</b>	-	-	(698)	-	-	(698)	2	(696)
<b>Balance at 31 March 2019</b>	15	2,089	32,732	1,153	(18,190)	17,799	2	17,801

The notes on pages 18 to 35 are an integral part of these financial statements.

# OSBORNE GROUP HOLDINGS LTD

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital £000	Retained earnings £000	Total equity £000
<b>Balance at 9 November 2017</b>			
Loss for the financial period		(2,674)	(2,674)
<b>Total comprehensive expense for the period</b>		<b>(2,674)</b>	<b>(2,674)</b>
Issue of shares	21,030		21,030
Capital reduction and return of shares	(13,688)		(13,688)
Dividends paid		(214)	(214)
Capital reduction	(7,327)	7,327	
<b>Total transactions with owners</b>	<b>15</b>	<b>7,113</b>	<b>7,128</b>
<b>Balance at 31 March 2018</b>	<b>15</b>	<b>4,439</b>	<b>4,454</b>
Profit for the financial year		1,020	1,020
<b>Total comprehensive income for the year</b>		<b>1,020</b>	<b>1,020</b>
Dividends paid		(698)	(698)
<b>Total transactions with owners</b>		<b>(698)</b>	<b>(698)</b>
<b>Balance at 31 March 2019</b>	<b>15</b>	<b>4,761</b>	<b>4,776</b>

The notes on pages 18 to 35 are an integral part of these financial statements.

**OSBORNE GROUP HOLDINGS LTD**
**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2019**

	2019 £000	2018 £000
<b>Profit before taxation</b>	<b>2,253</b>	<b>12,645</b>
Adjustments for:		
Interest receivable and similar income	(2)	(98)
Interest payable and similar expenses	172	186
Depreciation of tangible assets	868	816
Loss on disposal of tangible assets	5	12
Profit on disposal of associate	-	(45)
Share of profit of joint ventures	(3,079)	(13,227)
Reversal of joint venture accounting profit restriction on land sale	-	(536)
Share-based payment expense	486	-
Defined benefit pension costs	898	99
(Decrease)/increase in provisions	(362)	336
Decrease in stocks	740	9
Increase in debtors	(22,540)	(11,883)
Increase in creditors	23,074	11,139
	<b>260</b>	<b>(13,192)</b>
<b>Cash flow from operating activities</b>	<b>2,513</b>	<b>(547)</b>
Interest paid	(161)	(210)
Corporation taxes paid	(1,228)	(958)
Defined benefit pension scheme contributions	(1,304)	(798)
	<b>(2,693)</b>	<b>(1,966)</b>
<b>Net cash used in operating activities</b>	<b>(180)</b>	<b>(2,513)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(663)	(2,800)
Tenant contribution to office fit-out	112	412
Proceeds on disposal of tangible assets	-	22
Proceeds on disposal of associate	-	50
Purchase of investment in joint ventures	-	(390)
Disposal of subsidiaries (net of cash disposed)	-	(3,000)
Interest received	2	18
Dividends received from joint ventures	-	9,271
Return of capital by joint venture	-	7,249
Loan made to related party	(38)	(100)
Repayment of loan from related party	135	2,731
	<b>(452)</b>	<b>13,463</b>
<b>Net cash (used in)/generated from investing activities</b>	<b>(452)</b>	<b>13,463</b>
<b>Cash flows from financing activities</b>		
Dividends paid to owners of parent	(698)	(214)
Dividends paid to shareholders of subsidiary	-	(408)
Proceeds from issue of shares in subsidiary	2	24
Repurchase of shares from shareholders of subsidiary	-	(2,339)
Repayment of loan notes	-	(1,437)
Proceeds from finance leases	-	750
Repayment of obligations under finance leases	(141)	(11)
Repayment of revolving credit facility	(2,000)	-
	<b>(2,837)</b>	<b>(3,635)</b>
<b>Net cash used in financing activities</b>	<b>(2,837)</b>	<b>(3,635)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,469)</b>	<b>7,315</b>
Cash and cash equivalents at the beginning of the year	31,907	24,592
<b>Cash and cash equivalents at the end of the year</b>	<b>28,438</b>	<b>31,907</b>

The notes on pages 18 to 35 are an integral part of these financial statements.

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 1 Statutory Information

Osborne Group Holdings Ltd is a private company limited by shares, incorporated in the United Kingdom, and is domiciled in England and Wales, registration number 11056197. The company does not trade but it is the ultimate parent and holding company of the Geoffrey Osborne Limited group, the Osborne Developments Holdings Ltd group and Innovare Systems Limited. The registered office is Fonteyn House, 47-49 London Road, Reigate, Surrey, RH2 9PY.

#### Statement of compliance

These financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

### 2 Accounting policies

#### 2.1 Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention (as modified for the revaluation of freehold properties) and in accordance with the Companies Act 2006 and FRS 102. The principal accounting policies, which have been applied consistently throughout the financial year, are set out below.

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

#### 2.2 Basis of consolidation

The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows include the financial statements of the holding company and its subsidiary undertakings made up to 31 March 2019. Unless otherwise stated the acquisition method of accounting has been applied. Under this method subsidiaries are included from the date of acquisition. Disposals are accounted for up to the date control passes to a third party. All subsidiaries have applied the same accounting policies and have the same financial year end as the company. Intra-group sales, profits and balances are eliminated fully on consolidation.

As permitted by Section 408, Companies Act 2006, the separate income statement of the company is not presented as part of these financial statements.

#### 2.3 Exemptions for qualifying entities under FRS 102

The financial statements of the company are included in these consolidated financial statements of Osborne Group Holdings Ltd, which are publicly available. Consequently, the company has taken advantage of the following disclosure exemptions as permitted by FRS 102 in its individual financial statements:

- i) from preparing a statement of cash flows and related notes and disclosures (Section 7)
- ii) from presenting certain financial instrument disclosures (Section 11 and Section 12)
- iii) from disclosing the compensation for key management personnel (Section 33)

#### 2.4 Joint ventures

The group's share of profits less losses of joint ventures is included in the consolidated income statement and its interest in their net assets or liabilities is included in investments in the consolidated statement of financial position.

#### 2.5 Turnover

For contracting activities, turnover represents the estimated sales value of work done in the financial year in accordance with the long-term contract provisions of FRS 102 (Section 23) based on percentage of contract completion at the year end. For capital activities, which represent activities where the group takes on the role of developer, turnover is recognised when services have been provided and contractual obligations met. For the sale of development properties, turnover is recognised upon legal completion. Property leased to customers under operating leases that contain an incentive (a rent free period) have been accounted for on a straight line basis over the term of the lease. For all other activities, turnover represents amounts received or receivable from external customers for goods and services supplied. Turnover is net of value added tax and trade discounts, but includes retentions held by clients.

#### 2.6 Long term contracts

Long term contracts include the profit attributable to that part of the work performed at the end of the accounting period. No profit is recognised until the outcome of the contract can be determined with reasonable certainty. Losses are recognised in full as they are foreseen.

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for future losses, less amounts received and receivable as progress payments on account. Excess progress payments are included in creditors as payments received on account.

#### 2.7 Stocks

Stock is stated at the lower of cost and estimated selling price less costs to completion and costs to sell. Cost includes all costs incurred to bring stock items to their present location and condition. Stock value is calculated using the weighted average method.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the consolidated income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the consolidated income statement.

Development land is stated at the lower of cost and estimated selling price less costs to completion. Cost comprises land, fees, building construction costs (where relevant) and other direct costs.

## OSBORNE GROUP HOLDINGS LTD

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

#### 2 Accounting policies (continued)

##### 2.8 Tangible assets

Freehold land and buildings are included in the statement of financial position at their open market value at the end of the accounting period on the basis of an annual valuation. All other fixed assets are held at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The useful economic life of assets are reassessed periodically and an annual valuation was performed for all properties at 31 March 2019.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful economic life, as follows:

Freehold land and buildings	Over 40 years in equal instalments for freehold office buildings. No depreciation is provided on freehold land
Leasehold improvements	Over the unexpired term of the lease on a straight line basis or shorter if the useful expected life is less
Fixtures and equipment	10% to 25% straight line

##### 2.9 Leasing

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the statement of financial position on commencement of the lease as property, plant and equipment at fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. The asset is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income statement, and the capital element which reduces the obligation for future instalments.

Costs, including rent free periods, in respect of operating leases are charged to the consolidated income statement on a straight line basis over the full lease term.

##### 2.10 Investments

Investments in subsidiary undertakings are recognised at cost less accumulated impairment losses. Investments in subsidiary undertakings are tested for impairment where an indication of impairment exists at the reporting date.

##### 2.11 Pensions

The group operates a defined contribution and a defined benefit pension scheme as set out in note 21.

The assets of the defined contribution pension scheme are held separately to the assets of the group in an independently administered fund. The pension cost charge disclosed in note 21 represents contributions payable by the group to the fund.

The defined benefit pension scheme was closed to future accruals with effect from 1 June 2010. The assets of the scheme are held separately to those of the company in an independently administered fund.

Defined benefit pension scheme liabilities are measured using the defined accrued benefits funding method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the group defined benefit pension scheme expected to arise from benefits accrued in the financial year is charged to the consolidated income statement. The expected return on the scheme's assets and the increase during the financial year in the present value of the scheme's liabilities arising from the passage of time are included in administrative expenses. Actuarial gains and losses are recognised in the consolidated statement of comprehensive income.

Pension scheme deficits or surpluses, to the extent that they are recoverable, are recognised in full and presented on the face of the statement of financial position.

##### 2.12 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the end of the accounting year, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the date of the statement of financial position.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sustainable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the end of the accounting year.

Deferred tax on the pension scheme liability is shown within the deferred tax asset in debtors.

##### 2.13 Provision for liabilities

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision is made in accordance with FRS 102 (Section 21) for contract remedial costs, and other known liabilities which exist at the year end date.

## OSBORNE GROUP HOLDINGS LTD

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

#### 2 Accounting policies (continued)

##### 2.14 Financial instruments

Basic financial assets, including trade and other debtors and amounts owed by group undertakings and related parties, are initially recognised at the transaction price and subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party.

Basic financial liabilities, including trade and other creditors, bank loans and overdrafts and amounts owed to group undertakings, are initially recognised at the transaction price and subsequently carried at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### 2.15 Share-based payments

A number of subsidiary companies within the group have issued growth shares to certain employees within the wider group, which are considered to be cash-settled share-based payments.

A liability equal to the portion of the services received is recognised at and re-measured based on the current fair value determined at each statement of financial position date for these growth shares, with any changes in fair value recognised through profit or loss.

The expense in relation to the growth shares granted to employees of the wider group is recognised by each subsidiary company as a capital contribution, and presented as an increase in the company's investment in those subsidiaries, as the liability sits with the holders of the A ordinary shares.

##### 2.16 Dividends

Dividends and other distributions to the group's shareholders are recognised as a liability in the period in which they are approved by the shareholders.

##### 2.17 Exceptional items

Exceptional items are disclosed separately where it is necessary to do so to provide further understanding of the financial performance of the group. They are items that are material either because of their size or their nature, or that are non-recurring and outside the scope of the ordinary activities of the business.

#### 3 Key sources of estimation uncertainty and critical accounting judgements

In the application of the group's accounting policies, which are described in notes 2.1-2.17, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### Critical accounting judgements

###### Share-based payments

A number of subsidiary companies within the group have issued growth shares to certain employees of the wider group. The growth shares entitle the holders to a share of the future growth in value of the company, as determined by an agreed calculation, up to the cessation of their employment within the group, or in an exit event. The holders also hold a put option over 50% of the growth shares, which can be sold back to the holder of the company's A ordinary shares at an agreed price after the cessation of a qualifying period of service.

The directors have made judgements around the likelihood of each of the potential exit events and have determined that these growth shares should be classified as a cash-settled share-based payment. The group has therefore recognised a liability of £486,000 at the statement of financial position date, being the fair value of these growth shares at this date.

###### Exceptional items

Exceptional items that are material either because of their size or their nature, or that are non-recurring and outside the scope of the ordinary activities of the business which the directors believe should be presented separately on the face of the consolidated income statement to provide further understanding of the financial performance of the group. Determining whether an item is exceptional or not requires judgement.

Exceptional items totalling £657,000 were charged to the consolidated income statement during the year (2018: £nil). An explanation of the nature of these items is detailed in note 6.

## OSBORNE GROUP HOLDINGS LTD

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

#### 3 Key sources of estimation uncertainty and critical accounting judgements (continued)

##### Key sources of estimation uncertainty

###### Revenue recognition

The group's revenue recognition policies require forecasts to be made of the outcomes of long-term construction services and support services contracts on a contract by contract basis. These forecasts are based on anticipated revenue and costs to complete and involve estimates on changes in the scope of work, defect liabilities and changes in costs. Estimates of the contract position and the profit recognised to date are reviewed monthly.

###### Contract provisions

In the normal course of business, claims are received from customers and suppliers. The directors take appropriate independent legal advice and recognise a provision where a future liability is probable and can be estimated reliably. Conversely, where the group makes claims for contract variations and disputes and programme delays, estimates are made on recoverability on a contract by contract basis, based on independent legal and other professional advice as appropriate and historical experience. At the time of approving these financial statements, the group is involved in one such material negotiation and the directors have made their best estimate of the expected amounts recoverable in preparing these financial statements. The actual result may differ from this estimate.

###### Defined benefit pension scheme

The group has obligations to pay pension benefits to deferred members of the scheme. The cost of these benefits and the present value of the obligation depend on a number of factors, including: mortality, future pension increases, investment returns, inflation and the discount rate. The directors obtain independent advice from a qualified actuary and the relevant assumptions are detailed in note 21. The net deficit on the group's defined benefit scheme is £1,755,000 (2018: £1,491,000) after recognising actuarial losses of £670,000 (2018: £240,000) during the year.

###### Share-based payments

A number of subsidiary companies within the group have issued growth shares to certain employees of the wider group. The fair value of these share-based payments has been determined based on the expected liability that will arise, with the key inputs being the future forecast profitability and growth.

#### 4 Discontinued operations

As part of the group reorganisation in the prior year, the group transferred its 100% holding in Fishbourne Number 4 Limited and GO Developments (Andover Road) Limited to Rosewood Group Holdings Ltd, a company outside the group, but with the same equity shareholders as Osborne Group Holdings Ltd, by way of a simultaneous reduction and return of capital. During the prior year these entities contributed a post-tax profit of £4,109,000.



# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 5 Turnover

The total turnover of the group for the financial year has been wholly undertaken in the United Kingdom. The analysis by class of business of the group's turnover is set out below:

	2019 £000	2018 £000
Contracting activities	390,871	318,113
Sale of development land	900	-
Rental income	370	202
	<u>392,141</u>	<u>318,315</u>

### 6 Exceptional items

	2019 £000	2018 £000
Past service costs on defined benefit pension scheme	<u>657</u>	-

The impact of the ruling in Lloyds Banking Group Pension Trustees Limited vs. Lloyds Bank plc and others will likely lead to higher pensions for some of the members who were in the group's defined benefit pension scheme between 1990 and 1997. The estimated impact of this ruling is an increase of 2.8% of the total value of scheme liabilities.

Accordingly a charge of £657,000 has been recognised as at 31 March 2019 for the estimated costs arising from this judgement for the group's defined benefit pension scheme. This amount has been included within the consolidated income statement as a past service cost, and the directors consider this is sufficiently material to warrant disclosure as a non-recurring, exceptional item.

### 7 Operating loss

	2019 £000	2018 £000
Operating loss is stated after charging/(crediting):		
Loss on sale of tangible assets	5	12
Profit on disposal of associate	-	(45)
Defined benefit pension costs	898	99
Depreciation of tangible assets - owned	790	796
Depreciation of tangible assets - held under finance lease	78	20
Operating lease rentals:		
- Plant and machinery	12,291	8,962
- Land and buildings	1,366	1,207
Cost of stock recognised as an expense	9,430	6,683
Services provided by the group's auditors:		
- Fees payable for audit work for company and consolidated financial statements	10	8
- Fees payable for audit work for subsidiaries	155	222
- Fees payable for other services - tax compliance	66	26
- Fees payable for other services - tax advisory	80	158
- Fees payable for other services - other	17	21
	<u></u>	<u></u>

### 8 Interest receivable and similar income

	2019 £000	2018 £000
Interest on bank deposits	2	18
Other interest receivable	-	80
	<u>2</u>	<u>98</u>

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

<b>9</b>	<b>Interest payable and similar expenses:</b>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
	Bank loans and overdrafts	65	80
	Other loans	69	12
	Loan notes		104
	Finance lease interest	22	2
	Other interest	16	
		<u>172</u>	<u>186</u>
<b>10</b>	<b>Tax on profit</b>		
<b>(a)</b>	<b>Included in profit or loss</b>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
	<b>Current tax</b>		
	UK corporation tax on profit for the year		461
	Adjustments in respect of prior years	219	964
	Total current tax	<u>219</u>	<u>1,425</u>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	343	137
	Impact of change in tax rate	49	
	Adjustments in respect of prior years	(61)	
	Total deferred tax	<u>331</u>	<u>137</u>
	Total tax charge for the year	<u>550</u>	<u>1,562</u>
<b>(b)</b>	<b>Included in other comprehensive income</b>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	(31)	246
	Impact of change in tax rate	30	(22)
	Total tax charge included in other comprehensive income	<u>(1)</u>	<u>224</u>
<b>(c)</b>	<b>Reconciliation of tax charge</b>		
	The tax assessed for the financial year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%).		
	<b>Factors affecting the tax charge for the year</b>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
	Profit before taxation	2,253	12,645
	Profit before taxation multiplied by standard rate of UK corporation tax of 19% (2018: 19%)	<u>428</u>	<u>2,403</u>
	Effects of:		
	Non deductible expenses	28	100
	Income not subject to tax	(585)	(2,513)
	Non deductible expenses - joint venture related		(102)
	Change in tax rates	59	
	Tax on share of partnership profits	522	869
	Pension cost relief in excess of net pension cost charge	(77)	(181)
	Adjustments in respect of prior years	158	964
	Other tax adjustments	17	(1)
	Group relief surrendered		23
	Tax charge for the year	<u>550</u>	<u>1,562</u>

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 10 Tax on profit/(loss) (continued)

At the year end, the Finance Act 2019 had been enacted confirming that the main UK corporation tax rate will reduce to 17% from 1 April 2020. Therefore, at 31 March 2019, deferred tax assets and liabilities have been calculated based on a rate of 17% where the temporary difference is expected to reverse after 1 April 2020. These reductions may also reduce the group's future current tax charges accordingly.

### 11 Deferred tax

Group	Pension scheme deferred tax £000	Deferred taxation asset £000
Balance at 1 April 2018	283	66
Income statement deferred tax charge/(credit)		(331)
Other comprehensive income deferred tax charge	15	(14)
Balance at 31 March 2019	298	(279)

Deferred tax is fully provided at 17% (2018: 17-19%) analysed over the following timing differences:

	2019 £000	2018 £000
Capital allowances	(132)	(175)
Unutilised tax losses	126	582
Revaluation of properties	(355)	(341)
Share-based payments	82	-
Pension scheme	298	283
Total timing differences	19	349

For the group, in accordance with FRS 102 (Section 29), the deferred tax assets have been recognised as it is regarded as more likely than not that they will be recovered.

The net deferred tax asset expected to reverse in the year ended 31 March 2020 is £81,000. This primarily relates to the reversal of timing differences on tangible assets and capital allowances through depreciation, and on the pension scheme deficit.

#### Company

The company had no deferred tax.

### 12 Dividends

	2019 £000	2018 £000
Group		
First interim dividend paid	462	408
Second interim dividend paid	236	214
	698	622

Two interim dividends totalling £698,000 (2018: two interim dividends totalling £622,000) were approved and paid during the year. The directors do not recommend the payment of a final dividend in respect of 2019 (2018: £nil).

	2019 £000	2018 £000
Company		
First interim dividend paid	462	-
Second interim dividend paid	236	214
	698	214

Two interim dividends totalling £698,000 (2018: one interim dividend totalling £214,000) were approved and paid during the year. The directors do not recommend the payment of a final dividend in respect of 2019 (2018: £nil).

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 13 Tangible assets

#### (a) Group

	Freehold land and buildings	Leasehold improvements	Fixtures and equipment	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 April 2018	2,500	1,151	7,779	11,430
Additions	-	36	627	663
Revaluation	50	-	-	50
Disposals	-	-	(687)	(687)
At 31 March 2019	2,550	1,187	7,719	11,456
<b>Accumulated depreciation</b>				
At 1 April 2018	-	675	4,908	5,583
Charge for the financial year	34	160	674	868
Revaluation	(34)	-	-	(34)
Disposals	-	-	(682)	(682)
At 31 March 2019	-	835	4,900	5,735
<b>Net book value</b>				
At 31 March 2019	2,550	352	2,819	5,721
At 31 March 2018	2,500	476	2,871	5,847

The net book value of fixtures and equipment includes £652,000 (2018: £730,000) in respect of assets held under finance leases.

#### Analysis of land and buildings at cost and revalued amount at 31 March

	2019 £000	2018 £000
At cost	892	892
Increase due to valuation	1,658	1,608
	2,550	2,500

- (b) The last external valuation of freehold land and buildings was carried out by Vail Williams, an independent firm of Chartered Surveyors. The valuation related to the group's London office (Wickfield House) and was made on an open market basis as at 28 March 2019. The valuation was prepared on the basis of market value in accordance with the RICS Appraisal and Valuation manual. In accordance with the group's accounting policy a full valuation by an external valuer is performed at least every 5 years.

- (c) If land and buildings had not been revalued, they would have been included at the following amounts:

	2018 £000	2017 £000
Cost	892	892
Accumulated depreciation	(431)	(397)
Net book value	461	495

#### Company

The company has no tangible assets.

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 14 Investments

#### (a) Investment in subsidiary undertakings

Company	£000
Cost and carrying amount	
At 1 April 2018	8,642
Additions	2
At 31 March 2019	8,644

On 5 February 2019 the company purchased an additional £2,499 of share capital in Osborne Developments Holdings Ltd.

The directors believe that the carrying value of the investments is supported by their underlying net assets and future cashflows.

The company has the following subsidiary undertakings, all of which are registered and operate in England:

Name	Principal activity	Shares held
Geoffrey Osborne Limited	Building and civil engineering contractor and property maintenance	100% ordinary
GCHO Holdings Limited	Holding company	100% ordinary
Innovare Systems Limited	Building subcontractor and manufacturer of structural insulated building panels	100% A ordinary
Osborne Developments Holdings Ltd	Holding company	100% ordinary

The company also indirectly owns the following group undertakings:

Name	Principal activity	Shares held
Geoffrey Osborne (Pension Trustees) Limited	Pension trustee	100% ordinary
Osborne Property Services Limited	Property maintenance	100% A ordinary
Fishbourne No2 Limited	Investment company	100% ordinary
Geoffrey Osborne Property Services Limited	Dormant	100% ordinary
Osborne Homes Limited	Construction of residential property	100% A ordinary
Osborne Communities Limited	Dormant	100% ordinary
Osborne Compliance Limited	Dormant	100% ordinary
Osborne Infrastructure Limited	Building and civil engineering contracting	100% A ordinary
Osborne Construction Limited	Building and civil engineering contracting	100% A ordinary
IS Manufacturing Limited	Dormant	100% ordinary
Geoffrey Osborne Developments (South) Limited	Property development	100% ordinary
GO Developments (Witham) Limited	Property lessor	100% ordinary
GO Developments (Solent) Limited	Property development	100% ordinary
Fishbourne Number 3 Limited	Dormant	100% ordinary
Osborne Developments (Colchester) Limited	Property development	100% ordinary

The registered address of all undertakings noted above is Fonteyn House, 47-49 London Road, Reigate, Surrey, RH2 9PY.

#### (b) Investment in joint ventures

Group	2019 £000	2018 £000
At 1 April		10,791
Purchase of interest in joint ventures		390
Return of capital		(7,249)
Dividends received		(9,271)
Share of profit	3,079	13,227
Reversal of joint venture accounting profit restriction on land sale		536
Disposal		(8,424)
At 31 March	3,079	

There was a further cash investment in joint ventures of £nil during the year (2018: £390,000).

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 14 Investments (continued)

The group has an interest in the following joint venture, which is registered and operates in England:

Name	Principal activity	Interest held %
Howard Osborne LLP	Property developer	50

The registered address of Howard Osborne LLP is 93 Regent Street, Cambridge, Cambridgeshire, CB2 1AW. The joint venture financial year is not co-terminous with that of the group. The results are included in the group on an accruals basis.

#### Company

The company has no direct interest in joint ventures.

### 15 Stocks

	Group	
	2019	2018
	£000	£000
Raw materials and consumables	475	315
Development land	900	900
	<u>475</u>	<u>1,215</u>

The difference between the book value and replacement cost of stocks is not considered to be significant. The development land was sold on 7 August 2018 at its carrying value.

#### Company

The company has no stocks.

### 16 Debtors

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Amounts recoverable on long term contracts	65,471	44,447	-	-
Trade debtors	27,389	30,395	-	-
Amounts owed by group undertakings	-	-	157	-
Amounts owed by related companies	576	101	-	-
Deferred tax asset	19	349	-	-
Other debtors	674	698	-	-
Corporation tax	536	-	-	-
Other taxation and social security	3,409	-	2	-
Prepayments and accrued income	2,211	1,758	-	-
	<u>100,285</u>	<u>77,748</u>	<u>159</u>	<u>-</u>

Included within group other debtors is £642,700 (2018: £642,700) relating to deposits paid in relation to the purchase of development land due to complete during 2019/20, subject to the achievement of satisfactory planning permission being granted.

Included within group and company trade debtors is £238,000 (2018: £1,241,000) due from Winchester Student No.1 LLP and Winchester Student No.2 LLP and included within group and company amounts recoverable on long term contracts is £3,000 (2018: £592,000) due from Winchester Student No.1 LLP and Winchester Student No.2 LLP. These are entities in which a related party of the group has a 50% interest in, arising from construction services provided by the group on normal commercial terms. The amounts are unsecured and do not bear interest.

Amounts falling due after more than one year and included in the debtors above are:

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade debtors	4,508	4,397	-	-
Deferred tax asset	76	349	-	-
	<u>4,584</u>	<u>4,746</u>	<u>-</u>	<u>-</u>

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Bank loans and overdrafts	-	2,000	-	-
Payments received on account	6,171	3,791	-	-
Trade creditors	28,336	16,631	-	-
Corporation tax	-	473	-	-
Other taxation and social security	1,868	2,116	-	-
Other creditors	541	331	-	-
Finance lease obligations	146	141	-	-
Accruals and deferred income	70,901	62,301	10	-
	<u>107,963</u>	<u>87,784</u>	<u>10</u>	<u>-</u>

Previously included within group bank loans and overdrafts was £2,000,000 drawn under the group's revolving £5,000,000 credit facility, with interest payable at a variable rate of LIBOR plus 2.25%. A commitment fee of 0.9% was charged on the undrawn amount. The facility was secured by an unlimited guarantee and debenture provided by Geoffrey Osborne Limited and GCHO Holdings Limited. The facility was repaid in full, along with all interest charges, on 14 December 2018, and on 22 May 2019 the unlimited guarantee and debenture was released.

The group operates a supply chain finance agreement with a third party, whereby the third party will pay sub-contractors on behalf of the group. The amount owed to the finance provider at the year-end as a result of this totalled £657,000 (2018: £2,220,000) and is included within group and company trade creditors. Interest is payable at either 0.6% or 0.75% based on the amounts drawn under the facility. The amount outstanding at 31 March 2019 was repaid in full, along with the interest charge, on 12 April 2019.

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

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade creditors	6,970	6,532	-	-
Amounts owed to group undertakings	-	-	4,363	4,194
Cash-settled share-based payment	486	-	-	-
Finance lease obligations	452	598	-	-
	<u>7,908</u>	<u>7,130</u>	<u>4,363</u>	<u>4,194</u>
<b>Maturity of debt</b>				
Due between one and five years	7,908	7,130	-	-
Due after more than five years	-	-	4,363	4,194

#### Amounts owed to group undertakings

On 31 January 2018 loan notes were issued to GCHO Holdings Limited on the purchase of Geoffrey Osborne Limited and to Geoffrey Osborne Limited on the purchase of Innovare Systems Limited. The 10 year loan notes are unsecured and accrue interest on the principal amounts of £4,180,000 and £1 respectively at LIBOR plus 3% per annum, payable on redemption.

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 18 Creditors: amounts falling due after more than one year (continued)

#### Finance lease obligations

Obligations under finance leases are secured by the related assets and bear finance charges at an implicit rate of interest of 3.2% per annum (2018: 3.2%). The total future minimum lease payments are payable as follows:

	2019 £000	2018 £000
Due within one year	163	163
Due between one and five years	474	637
<b>Total gross payments</b>	<b>637</b>	<b>800</b>
Less: future finance charges	(39)	(61)
<b>Carrying value of obligation</b>	<b>598</b>	<b>739</b>

Finance lease payments represent rentals payable by the group for certain items of fixtures and equipment used in the group's manufacturing operations. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3.9 years (2018: 4.9 years). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 19 Provisions for liabilities

	Remedial cost provision £000
<b>Group</b>	
At 1 April 2018	2,933
Additions charged to the consolidated income statement	668
Amounts utilised	(1,030)
<b>At 31 March 2019</b>	<b>2,571</b>

The remedial cost provision relates to costs expected to be incurred on making good defects on finished contracts. The provision is calculated on an individual contract basis after considering a number of factors including the method of construction, location and use of a building. A remedial cost provision is expected to be utilised within two years of the contract completion date.

### 20 Financial instruments

The carrying amount of the group's financial instruments at 31 March were:

	2019 £000	2018 £000
<b>Financial assets:</b>		
Debt instruments measured at amortised cost	28,877	31,285
<b>Financial liabilities:</b>		
Measured at amortised cost	106,706	87,753
Measured at fair value	486	-

Financial asset debt instruments measured at amortised cost consists of trade debtors, other debtors, amounts owed by related companies and accrued income.

Financial liabilities measured at amortised cost consists of bank loans and overdrafts, trade creditors, other creditors and accrued expenses. Financial liabilities measured at fair value comprises the liability on cash-settled share-based payments. There are no complex financial instruments.



# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 21 Pension costs

The group operates defined contribution pension plans and a funded defined benefit plan. The assets of the plans are held separately from those of the group in independently administered funds. The cost of defined contribution pension plan contributions is charged against operating profit for the financial year. The defined benefit pension cost is recognised in the consolidated income statement.

Defined contribution scheme - group	2019 £000	2018 £000
Contributions payable by the group for the financial year	5,476	4,770

Contributions include £208,000 (2018: £179,000) paid to Hertfordshire County Council Pension Fund in respect of 17 employees (2018: 18 employees) and £211,000 (2018: £65,000) paid to Berkshire County Council Pension Fund in respect of 31 employees (2018: 34 employees) that belong to their previous employers' defined benefit pension plans. Contributions also include £391,000 (2018: £374,000) paid to Hertfordshire County Council Pension Fund in respect of additional contributions against the scheme's deficit. As the actuarial and investment risk is substantially borne by the former employers the accounting does not meet the criteria for treatment as a defined benefit pension arrangement.

#### Defined benefit plan

A number of employees and former employees are deferred members of a funded defined benefit pension plan, which provides benefits based on final pensionable salary. At 31 March 2019 there were 37 (2018: 53) deferred members and 98 (2018: 88) pensioner members. The pensioner members are fully insured with annuities purchased from reputable pension providers. Pension plan assets are held in a separate trustee administered fund to meet the long term pension liabilities. The plan was closed to new members in February 2002 and closed to future pension accruals with effect from 1 June 2010.

Contributions for the year of £1,304,000 (2018: £798,000) are calculated by an independent actuary on the basis of triennial valuations. This includes a one-off contribution in relation to an enhanced transfer value exercise undertaken within the scheme during the year of £170,000 (2018: £nil). The most recent full actuarial valuation was on 1 April 2016 and used the defined accrued benefits funding method. This method of valuation is particularly suitable for schemes that have been closed to new entrants and have no active members. On 19 February 2018 the employer and trustees put in place a legal agreement for Osborne Group Holdings Ltd to become a guarantor for the full liabilities of the plan, in the event that the employer could not meet its obligations. As part of this agreement, the employer agreed to accelerate the recovering plan contributions from 1 April 2018 to 31 March 2020.

The market value of the plan's insured assets in the full actuarial valuation as at 1 April 2016 was £10,297,000. The actuarial value of the plan's assets represented 88% of the actuarial value of the plan's liabilities at that date. The principal assumptions affecting the valuation were that the yield on assets and the pre-retirement discount rate are in line with each other at a valuation of 4.5% per annum, and post retirement discount rate is 2.2% per annum.

An independent actuary has undertaken a review as at 31 March 2019 for the purposes of FRS 102, Section 28 Employee Benefits. The value of the liabilities have been calculated with reference to the triennial actuarial valuation at 1 April 2016, making allowance for member movements since that date, and actuarial gains and losses arising since the previous full valuation on 1 April 2013. Valuation assumptions under FRS 102, Section 28 Employee Benefits are not necessarily appropriate for the purposes of a long term funding valuation. The independent actuarial review of the defined benefit plan at 31 March 2019 can be summarised as follows.

The principal assumptions used in the calculation of the valuation of the plan assets and the present value of the defined benefit obligation include:

	2019 %	2018 %
Rate of increase in pensions in payment	3.10	3.10
Rate of increase in pensions in deferment	2.30	2.20
Discount rate	2.30	2.60
Inflation assumption (RPI)	3.30	3.20
Inflation assumption (CPI)	2.30	2.20
Commutation of pensions to lump sums	70.00	70.00

The assumed life expectations on retirement age 65 are:

	Retiring today		Retiring in 20 years	
	2019 Years	2018 Years	2019 Years	2018 Years
Males	22.0	22.1	23.4	23.5
Females	23.9	24.0	25.4	25.5

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 21 Pension costs (continued)

The fair value of the plan assets is made up as follows:

	2019 £000	2018 £000
Equities	1,959	2,429
Corporate bonds	1,296	1,611
Gills	1,607	2,082
Other assets	1,988	2,217
Total fair value of plan assets	6,850	8,339

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

### Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 1 April 2018	8,339	(9,830)	(1,491)
Expenses	-	(58)	(58)
Interest income/(expense)	194	(227)	(33)
Employer contributions	1,304	-	1,304
Benefits paid	(2,395)	2,395	-
Past service costs	-	(657)	(657)
Settlements	(669)	519	(150)
Remeasurement (losses)/gains:			
- Actuarial losses	-	(747)	(747)
- Return on plan assets excluding interest income	77	-	77
At 31 March 2019	6,850	(8,605)	(1,755)

### The return on plan assets was:

	2019 £000	2018 £000
Interest income	194	245
Return on plan assets less interest income	77	9
Actual return on plan assets	271	254

### Defined benefit costs recognised in the consolidated income statement

	2019 £000	2018 £000
Expenses	58	58
Net interest cost	33	41
Losses on settlements	150	-
Past service costs	657	-
Defined benefit costs recognised in the income statement	898	99

### Defined benefit costs recognised in the consolidated statement of comprehensive income

	2019 £000	2018 £000
Return on plan assets (excluding amounts included in net interest cost)	77	9
Experience losses	(386)	(442)
Changes in assumptions underlying the present value of plan liabilities	(361)	193
Total actuarial loss	(670)	(240)

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 22 Called up share capital Group and company

	2019 £000	2018 £000
<b>Alotted and fully paid</b>		
1,126,405 (2018: 1,126,405) New A shares of £0.01	11	11
416,616 (2018: 416,616) C shares of £0.01	4	4
	<u>15</u>	<u>15</u>

The New A shares each carry the right to one vote at general meetings of the company but no right to fixed income.

The C shares each carry the right to receive dividends (subject to the approval of the majority of the holders of the New A shares), but no right to either vote at general meetings of the company or receive any capital or assets of the company on winding up.

### 23 Share-based payments

#### Cash-settled share-based payments

During the year the group implemented a long-term incentive plan for certain employees of the wider group, with various subsidiary companies issuing a total of 209,561 B ordinary shares of £0.01 each during the year to these employees.

The growth shares entitle the holders to a share of the future growth in value of the company, as determined by an agreed calculation, up to the cessation of their employment within the group, or in an exit event. The holders also hold a put option over 50% of the growth shares, which can be sold back to the holder of the company's A ordinary shares at an agreed price after the cessation of a qualifying period of service.

The fair value of the growth shares is determined based on the estimated amounts that the holders would be entitled to in the future in the event of an exit event, a share buyback or their cessation of employment, adjusted for the risk free rate and expected volatility.

The expected life used in the model has been determined as 3.1 years, being the time period from the date the long-term incentive plan was introduced to the end of the qualifying period of service.

The group recorded a total expense of £486,000 (2018: £nil) in respect of the increase in value these growth shares during the year. The carrying value of the associated liability at the statement of financial position date was £486,000 (2018: £nil).

### 24 Reserves

Reserves of the group represent the following:

#### Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date.

#### Retained earnings

Retained earnings represents cumulative profits or losses net of dividends paid, capital reductions and other adjustments.

#### Reverse acquisition reserve

The reverse acquisition reserve arose on the application of reverse acquisition accounting in the consolidated financial statements, and represents the share capital and share premium acquired in Geoffrey Osborne Limited.

#### Merger reserve

The merger reserve arose on the application of merger accounting in the consolidated financial statements, and represents the difference between the share capital issued in the share for share exchange and the share capital and share premium acquired in GCHO Holdings Limited.

#### Non-controlling interest

The non-controlling interest represents the nominal value of the ordinary B shares (growth shares) within various subsidiary companies. The holders of these shares have no right to the income, profits or capital of the subsidiaries apart from the liability already recognised as a cash-settled share-based payment.

### 25 Contingent liabilities

The group has given guarantees and indemnities in the normal course of business in respect of the due performance of obligations under building contracts and development agreements. In the opinion of the directors, no material loss will arise from any of these contingent liabilities.

In the normal course of business, claims are received; in relevant cases the board takes appropriate advice and makes a provision where a future liability is probable.

In all cases presently outstanding against the group, after having taken appropriate legal advice, the directors believe that material claims are not likely to be substantiated.

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 26 Commitments under operating leases

*The group as lessee:*

At 31 March the group had total commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2019	2018
	£000	£000
Due within one year	950	1,205
Due between two and five years	5,739	4,915
Due after five years	4,950	3,487
	<u>11,639</u>	<u>9,607</u>

In addition the group had commitments for numerous short term operating leases for the hire of plant and machinery normally expiring within one year. It is not practicable to quantify the annual commitment for such contracts.

*The group as lessor:*

At 31 March the group had contracted with tenants, under non-cancellable operating leases, for the following future minimum lease payments:

	Land and buildings	
	2019	2018
	£000	£000
Due within one year	243	97
Due between two and five years	840	861
Due after five years	735	945
	<u>1,818</u>	<u>1,903</u>

The group's operating leases represent the sub-lease of two (2018: three) properties occupied by the group to third parties negotiated over an average lease term of 4.7 years (2018: 3.8 years).

### 27 Capital commitments

The group had no capital commitments at 31 March 2019 (2018: £nil).

### 28 Directors' emoluments

	2019	2018
	£000	£000
Aggregate emoluments for qualifying services	<u>1,300</u>	<u>1,563</u>
Contributions to defined contribution pension scheme	<u>20</u>	<u>44</u>

A number of subsidiary companies within

The number of directors for whom retirement benefits are accruing under defined contribution pension schemes amounted to 3 (2018: 2). The number of directors for whom retirement benefits have accrued under defined benefit schemes amounted to 1 (2018: 1).

The number of directors who received shares in fellow group companies under long term incentive schemes was 2 (2018: nil).

# OSBORNE GROUP HOLDINGS LTD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

### 28 Directors' emoluments (continued)

Emoluments and retirement benefits include the following amounts relating to the highest paid director:

	2019 £000	2018 £000
Aggregate emoluments for qualifying services	612	767
Company contributions to defined contribution pension scheme	10	10
	<u>622</u>	<u>777</u>

### 29 Employees

The average monthly number of employees (including directors) employed by the group during the financial year was:

	Group		Company	
	2019 Number	2018 Number	2019 Number	2018 Number
Construction	191	175	12	22
Infrastructure	313	290	10	10
Administration and central functions	172	160	10	10
Property maintenance and support	324	241	10	10
Manufacturing	52	49	10	10
	<u>1,052</u>	<u>915</u>	<u>42</u>	<u>62</u>

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Employment costs				
Wages and salaries	51,977	44,696	10	10
Social security costs	5,230	4,479	10	10
Other pension costs	6,374	4,869	10	10
Share-based payment	486	10	10	10
	<u>64,067</u>	<u>54,044</u>	<u>40</u>	<u>40</u>

Other pension costs reflect the contributions payable to the group's defined contribution pension scheme and the defined benefit costs recognised in the consolidated income statement.

### 30 Ultimate parent company and controlling party

Osborne Group Holdings Ltd is the ultimate parent undertaking and the only company to consolidate the company's financial statements. The directors do not consider there to be one ultimate controlling party.

### 31 Post statement of financial position events

On 5 May 2019 the group purchased development land in Colchester, Essex for £1,325,000 following the achievement of satisfactory planning permission. A deposit of £62,500 was included within other debtors at 31 March 2019.

## OSBORNE GROUP HOLDINGS LTD

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

#### 32 Related party transactions

Transactions between the group and its related parties are disclosed below:

	Other related parties	
	2019	2018
	£000	£000
Recharges receivable	501	12
Sale of construction services	2,411	2,137
Services purchased	12	15
Costs paid on behalf of related parties	31	17
Interest receivable	1	80
Management charges receivable	164	129
Amounts owed from related parties	576	101

Other related parties comprise entities within the Rosewood Group Holdings Ltd group, which is controlled by the same shareholders as the group, and other entities with common key management personnel.

The amounts outstanding at 31 March 2019 and 31 March 2018 are unsecured, repayable on demand and interest free. No guarantees have been given or received. All amounts outstanding at 31 March 2018 were repaid in full during the year.

The total remuneration of the directors, who are considered to be the key management personnel of the group, was £1,494,000 (2018: £1,817,000), including employer's national insurance of £173,000 (2018: £210,000).