Company number 11056197 (England and Wales)

OSBORNE GROUP HOLDINGS LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

OSBORNE GROUP HOLDINGS LTD

COMPANY INFORMATION

Company board

Chairman	A S C Osborne [1, 2]	MA(Oxon), FCA
Chief Executive	A P Steele	BSc (Hons), ARICS
Director	S Hammond	FCCA
Non-executive director	M J Strong [1, 2]	FRICS
Non-executive director	T J Matthews [1, 2]	BA (Cantab)

Key
[1] = Member of Remuneration Committee
[2] = Member of Audit Committee

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

OSBORNE GROUP HOLDINGS LTD

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OSBORNE GROUP HOLDINGS LTD

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their strategic report for the group for the year ended 31 March 2018.

The group has had a very successful year, achieving a record profit before tax of £12.6 million (2017: £3.4 million). The excellent results were very substantially due to profits generated by our specialist development business, but all our contracting businesses have continued to make a contribution as well. This has been an exceptional year and we expect profitability to return to more historic levels next year.

The strong results have enabled the group to accelerate a planned corporate reorganisation during the course of the year. The purpose of the reorganisation was to provide greater clarity to the trading businesses and give them more opportunity for external funding, as well as reducing the overall risk to stakeholders, and allowing more effective and aligned management incentives.

Our vision is to be "a vibrant growing business chosen by customers for our service led solutions." To achieve this we take a long term view in our decision making and this is reflected in our evolving sustainability strategy. We recognise that becoming more sustainable will make us and our customers more successful in the 21st century. Getting the balance right between the three pillars of sustainability – economic, social and environmental - will empower our people and other stakeholders in promoting health and wellbeing, enhancing the communities we work in and the wider environment. Our next 50 years will leave a legacy we can be proud of.

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 activities of the Osborne Developments Holdings Ltd group are property development.

The principal activities of Innovare Systems Limited are the design, manufacture and installation of panelised building systems.

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

	2018	2017
	£000	£000
Turnover	318,315	348,141
Profit before taxation	12,645	3,442
Total net assets	17,379	17,446
Secured 12-month order book	330,600	249,200
Accident Frequency Rate (AFR)	0.19	0.15
Lost Time Injury Frequency Rate (LTIFR)	0.48	0.55
Average number of employees	915	871
Voluntary employee churn rate	14.0%	13.4%

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

	2018	2017
	£m	£m
Affordable Housing Maintenance	46.8	40.7
Affordable Housing New Build	12.4	18.1
Commercial	39.7	32.6
Education	97.1	126.0
Healthcare	3.9	2.8
Highways	54.0	33.2
Rail	64.4	94.7
	318.3	348.1

Overview of the business (continued)

The movement in market segments from the previous year is the consequence of a slowdown in higher education projects, a significant rail framework nearing conclusion during the year, and slippage of work into the 2018/19 financial year due to delays in starting on sites following uncertainty after the Brexit vote. This slippage has resulted in work being pushed into the latter part of the financial year resulting in a 20% increase in activity around the financial year-end compared to the previous year.

Predicting these market changes enabled an increase in commercial workload to compensate for the education shortfall, as well as enabling the group to be more selective in the work performed. In addition our infrastructure business proactively redirected resources into securing highways opportunities to mitigate the impact of the reducing rail workload.

Creating a sustainable business and reducing risk profile

Group reorganisation

A group restructure was undertaken during the year with the purpose of creating greater clarity for the trading businesses, reducing the overall risk to stakeholders and allowing more effective and aligned management incentives. As part of this restructure two investment businesses which operate in a different risk environment have been demerged from the group into a new group with identical shareholders.

Osborne Group Holdings Ltd was incorporated on 9 November 2017 at which date the company had one ordinary share of £0.005 in issue. The company was formed for the purpose of becoming the ultimate parent company of GCHO Holdings Limited, the parent company of an existing operating group.

On 17 January 2018 the company entered into a share for share exchange with the shareholders of GCHO Holdings Limited, effectively inserting Osborne Group Holdings Ltd as the new ultimate parent company of the existing GCHO Holdings Limited group. In the company's individual financial statements the investment in GCHO Holdings Limited was recognised at cost, this being equal to the nominal value of the shares issued.

This transaction was accounted for as a group reorganisation and accordingly, in the consolidated financial statements of the newly formed group, merger accounting has been applied. Following the share for share exchange, the company undertook a number of further transactions as part of a wider group reorganisation, as detailed in note 3 to the consolidated financial statements.

Reducing risk profile

Our construction business that formally traded under Geoffrey Osborne Limited has been hived down during the year and now trades as Osborne Construction Limited. Our infrastructure business is also in the process of being hived down and will trade as Osborne Infrastructure Limited during 2018/19. This will provide better clarity for those within these businesses, increased transparency of performance and allow rewards to be better aligned for senior management.

Innovare Systems Limited previously traded as a subsidiary company under the Geoffrey Osborne Limited sub-group. As part of the group reorganisation this company now operates as a separate entity directly under Osborne Group Holdings Ltd. Innovare Systems Limited has been relocated to a new facility, doubling the available capacity as the off-site construction market continues to grow with expectations.

All loan notes pertaining to GCHO Holding Limited have been repaid as part of the reorganisation, increasing financial security for all stakeholders.

The pension deficit liability has decreased to £1,491,000 (2017: £1,950,000) and as part of the group reorganisation the directors have agreed to accelerate the pension deficit recovery plan.

The group has maintained a conservative level of trading cash, ensuring we maintain adequate working capital to withstand unforeseen cash challenges, and holds a strong level of cash for further development opportunities.

During the group reorganisation process the total net assets of the group have remained stable from the previous year at £17,379,000 (2017: £17,446,000), despite moving the investment businesses into a new group.

Forward orders

The secured 12 month order book at £330,600,000 at May 2018 is up 32.7% from last year (2017: £249,200,000). The secured 12 month figure is the estimated turnover for the next 12 months on projects where there is either a contract or a letter of intent. This increase has been primarily due to an increased level of secured orders within our construction business where the sales target for 2018/19 has been largely secured and the work winning emphasis now moves to 2019/20.

In addition the group has £31,400,000 (2017: £63,200,000) of orders for the coming year which are currently in second stage or single source negotiation.

The total of all secured orders at the end of May 2018, which includes works in second stage or single source negotiation, has increased by 18.9% to £547,800,000 (2017: £460,600,000). This increase is largely due to the increase in our construction business noted above, as well as an increase within our infrastructure business, which has arisen from the increased focus on the highways sector during the year. The overall forward order book at May 2018 stands at £670,900,000 (2017: £753,200,000).

Overview of the business (continued)

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, making it harder to win future work. The group operates established and robust safety systems, which include site visits, regular monitoring and reporting, and recording improvement opportunities including near misses. Regular safety briefings and our STOP Think! behavioural training also forms part of the mitigation of this risk.

The directors seek to lead the industry in all aspects of health, safety and environment; develop a strong profile on sustainability and promote the wellbeing of our people. 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 increased in 2017/18 to 57%, up from 42% in the previous year, and was issued Mind's Bronze Award in recognition of the standards achieved. Good progress continues to be made towards the group's target to obtain the Gold Standard by 2021. The group remains one of only six construction companies in the UK working on this index. In addition the number of trained mental health first aiders in the group has almost doubled to 49 from 25 last year.

The headline figure of Accident Frequency Rate (AFR) has worsened slightly from 0.15 to 0.19. This valuable, albeit lagging, indicator is now 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 to 0.48 from 0.55 and Environmental Incidence Frequency rate is significantly down from 0.42 to 0.2.

Sustainability is the central theme to the long term success of the group, our customers, suppliers and partners. The board's aim is that the group will lead the industry in health, safety and environmental matters. Our sustainability strategy sets out an ambitious yet balanced plan to achieve this aim, focusing on three pillars of sustainability – economic, social and environmental. Specific sustainability targets, aligned with these pillars, have been agreed by the board and will be rolled out across the group in 2018/19.

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 are working with Stonewall to support us in this aim.

We take our social responsiblities seriously and have established our own suite of social value metrics, recognising there are no externally recognised benchmarks in this area. These developed metrics, which form part of our sustainability strategy, are anticipated to help support our decision making to ensure we maximise the social value benefits of our contributions.

The group contributed £231,000 in charitable donations (2017: £41,000). The increase was largely due to a major project undertaken to extend facilities for a Children's Charity Demelza. The "Space to Grow" project was part of our 50th anniversary celebration, the aim being to create a legacy within the communities in which we work. The project brought together volunteers from the group and our supply chain partners to deliver a truly remarkable outcome, delivering the means for Demelza to provide essential respite and end of life care for children with complex needs.

Many wider charitable activities were undertaken including a "Big Sleep Out" raising funds and awareness to reduce homelessness, day services for adults with learning difficulties and the provision of work-based learning programmes for young people, including regular primary and secondary school visits.

Common brand and values

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

The board has developed a Code of Conduct to remind all employees of the group's values and provide guidance for 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 also has a whistleblowing policy published on the group intranet to protect employees who wish to report any unethical, illegal or inappropriate behaviour. Additionally 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.

Overview of the business (continued)

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. It will also enhance our ability to more effectively learn from our shared experiences.

An increasing proportion of our work is being undertaken through strategic supply partners and this is unlocking the added benefits of trusted and collaborative relationships with our customers through into the supply chain. The group is signed up to the Prompt Payment Code and continues to offer a supply chain finance option to enable our supply chain to choose to receive payment in advance of the group's standard credit terms of 30 days.

People engagement survey

During the year the group implemented an updated and more sophisticated employee engagement survey process. This investment has allowed the group to measure and compare the degree of engagement with a benchmark of over 17 million responders.

The directors are pleased with the very positive results received. A brief snap shot of high and low scoring questions has indicated the crucial role our line managers play in driving strong employee engagement and the importance that our employees place on safety, health and the environment. Our employees' motivation to go the extra mile to help each other and our customers is strongly reinforced in the survey responses.

The group's voluntary employee churn rate remains steady at 14.0% (2017: 13.4%).

Recruitment

The group continues to reduce dependency on recruitment through recruitment agencies and as a result 55% (2017: 46%) of all hires during the year were secured directly rather than through agencies (129 people; 2017: 68 people).

Training

Across the group 2,584 (2017: 2,834) formal training days have been delivered to employees. The STOP Think! Behavioural Change Programme has continued to grow significantly with a total of 1,794 delegates having now taken part, an annual increase of 780 people in the year. Most importantly attendees have included customers and suppliers as well as our own employees, impacting wider industry learning.

Data protection

Following the implementation of the General Data Protection Regulations (GDPR) legislation, we have enacted our GDPR action plan to ensure that we are fully compliant with the legislation. The risks that flow from the GDPR have been managed through the training and creation of a Data Protection Officer role (DPO), an internal appointment. This post holder 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 to the business to improve our procedures and controls related to GDPR. The DPO provides specialist knowledge and guidance in the event of a breach in personal data held within the group.

Gender pay gap

During the year Geoffrey Osborne Limited, a company within the group, was required to publish its gender pay gap statistics in accordance with Government requirements. These statistics showed a mean and median hourly rate pay gap of 36.0% and 34.2% respectively.

The directors recognise one of the main reasons for the gender pay gap in our society is that men are more likely to be in senior roles. This is a particular issue in the construction and engineering industries which have traditionally been a male dominated environment. The group employs a total of 255 women as at 31 March 2018 (2017: 173), an increase of 47%.

We continue to work hard to encourage more women into careers in construction; from engagement in the early school years through trade apprenticeships, university sponsorships and midcareer transfers. We have a good record of flexible working and remain determined to identify innovative approaches to support our employees in caring for their children, the elderly and dependant family members.

We have also broadened our recruitment searches outside of our immediate industry sector and use gender neutral job adverts and seek to build a balanced shortlist of candidates. In addition our hiring managers have a programme of training to help eliminate unconscious bias and recognise the importance of a balanced and fair selection process.

There is much more to do but the directors are pleased to report that in the under 40 years of age category (38% of our workforce) we have no gender mean pay gap across our Supervisory & Technical, Core Management and Senior Management Job Families.

Results

The profit before taxation was £12,645,000 (2017: £3,442,000). After making provision for taxation the profit for the financial year was £11,083,000 (2017: £2,935,000). The consolidated income statement for the year is set out on page 11.

The directors are delighted with the overall level of profitability. All active contracting businesses within the group were profitable for the second successive year, with the exception of Osborne Homes Limited, which made a loss of £570,000 (2017: loss of £23,000). This is due to Osborne Homes only commencing work on its first construction contract during the year. Overall, the group's continuing operations made an operating loss, which was primarily due to additional costs relating to the group restructure and sharing the group's success through increased staff bonuses.

The developments businesses made a significant contribution to the group's profitability, largely through a property forward sale, which completed during the year within a joint venture investment. Whilst higher than expected in this instance, the share of profit from the group's joint venture investment projects reflect the continued focus by the group on expanding into long term investment opportunities. During the year two of the group's development subsidiary companies were demerged, and these have been shown as discontinued operations in the consolidated income statement.

Despite having demerged part of the group, total net assets have remained stable at £17,379,000 (2017: £17,446,000).

The group's cash balance has increased to £31,907,000 (2017: £24,592,000), despite £3,000,000 of cash held within the group's investment subsidiaries being demerged during the year.

The group continues to be cash generative, with significant contributions being received from joint ventures during the year of £16,520,000 (2017: £nil). This enabled the repayment of all loan notes previously held within the group, providing increased financial security for all stakeholders, and a share buyback within GCHO Holdings Limited, to buy out a number of minority shareholders.

Principal risks and uncertainties

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

Leadership and management capability

The group has undertaken a succession planning exercise during the year as we continue to develop future leaders and senior management to safeguard the long-term success of the business.

The group will be launching a Learning Management System (LMS) during 2018/19, which will enable us to align resources more efficiently and effectively, hold all training compliance records centrally and provide increased visibility of all learning currently undertaken across the business.

Key appointments made this year include the internal appointment of a Chief Operating Officer for the wider Osborne Group Holdings Ltd group as a whole.

Brexit

Brexit continues to present an increased risk of inflation and pricing over single stage procurement works, which is being managed through aligned agreements with preferred suppliers and increased targeting of long-term collaborative frameworks.

The group purchases goods from mainland Europe, hence is exposed to potential adverse movements in the long-term Euro exchange rate. 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.

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. The group is also working to reduce this skills shortage through offering appenticeship schemes.

Market risk

As one of the larger operators in the industry, the impact of the collapse of Carillion on the industry's supply chain was a significant risk in the year. Immediate actions were implemented to assess our own suppliers' exposure and vulnerability to this major event. We were able to promptly establish that due to having a very different supply chain our own suppliers had no significant exposure to this event.

Project delivery

The tragic events of Grenfell have highlighted the importance for the industry to improve assurance to customers that robust quality processes, controls, inspection and record keeping are in place.

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, a Group Performance Improvement Manager has been appointed during the year. This role specifically recognises the group's commitment to effective and efficient quality management systems and the accurate control and recording of quality performance.

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, ISO 14001 and ISO 18001, and the Construction and Property Services businesses are externally endorsed by the Institute of Customer Service (ICS) ServiceMark Accreditation.

The established Improvement Opportunities (IO) process has benefitted from the development of an app during the year, which allows ideas to be logged far quicker and easier and from remote locations. Group-wide IO panels have been established to review, action and feedback to those individuals raising improvement ideas.

Liquidity and financing

We have seen a significant increase in turnover at the financial year end compared to the prior year end. This was due to slippage earlier in the year pushing sales into the latter part of the year. This ramp up in sales towards the end of the financial year had the inevitable impact of increasing both trade debtors and trade creditors.

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 and the Geoffrey Osborne Limited sub-group has agreed a revolving credit facility of £5,000,000 with our bankers to enable investments that are aligned with our strategy; currently £2,000,000 of this facility is being utilised to fund our joint venture investments. This facility is due for renewal in December 2018 and initial progress has already been made in the renewal process.

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

Cash balances are historically linked with sales, so a strong order book this year indicates a strong position. 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

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A P Steele
Group Chief Executive
9 August 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and the audited financial statements of the group and company for the year ended 31 March 2018.

Directors

The following directors have held office during the period and up to the date of the signing of the financial statements:

A S C Osborne	(Appointed 5 January 2018)
A P Steele	(Appointed 5 January 2018)
S Hammond	(Appointed 9 November 2017)
M J Strong	(Appointed 5 January 2018)
T J Matthews	(Appointed 5 January 2018)

Going concern

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

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

One interim dividend totalling £408,000 was approved and paid during the year by GCHO Holdings Limited, prior to the insertion of Osborne Group Holdings Ltd as the the new ultimate parent company of the existing GCHO Holdings Limited group (2017: two interim dividends totalling £568,000). A second interim dividend totalling £214,000 was paid by the company following the group reconstruction.

The directors do not recommend the payment of a final dividend in respect of 2018 (2017: £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. Development opportunities are continuing to form part of our ongoing business strategy.

Charitable contributions

During the year the group made charitable donations of £231,000 (2017: £41,000) as set out below. The increase was largely due to a major project undertaken to extend facilities for a Children's Charity Demelza. The "Space to Grow" project was part of our 50th anniversary celebration, the aim being to give create a legacy within the communities in which we work. The group aims to donate 1% of profit to charities each year.

	2018	2017
	£000	£000
Educational charities	19	1
Local community charities	4	26
Demelza	199	-
National welfare charities	9	14
	231	41

No contributions were made to any political party (2017: £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 staff to enhance engagement, involvement and performance. Staff 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 an intranet. 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.

Our annual Chairman's Awards provide an opportunity to celebrate and share success. The scheme is open to nominations across the company and our supply chain, and is extremely well supported. 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 applications for employment from disabled persons where the requirements of the job can be adequately covered by a disabled person. With regard to existing disabled employees and those who have become disabled during the year, the group has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate, and as far as possible, identical to that of an employee who does not suffer from a disability.

Events after the reporting period

On 7 August 2018 the sale of the development land was completed.

On 9 August 2018 a dividend of £0.41 per share was declared and paid on the New A shares.

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, was appointed during the period and 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.

Statement of directors' responsibilities

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
9 August 2018

OSBORNE GROUP HOLDINGS LTD

INDEPENDENT AUDITOR'S 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 2018 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 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended, and the company statement of changes in equity for the 5 months period 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 auditor's 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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 2018 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.

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 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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. This description forms part of our auditor's 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
9 August 2018

OSBORNE GROUP HOLDINGS LTD

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 Continuing operations £000	2018 Discontinued operations £000	2018 Total £000	2017 Continuing operations £000	2017 Discontinued operations £000	2017 Total £000
Turnover	5	318,315	-	318,315	348,141	-	348,141
Cost of sales		(287,390)	-	(287,390)	(318,928)	-	(318,928)
Gross profit		30,925	-	30,925	29,213	-	29,213
Administrative expenses		(31,419)	-	(31,419)	(25,580)	(5)	(25,585)
Group operating (loss)/profit	6	(494)	-	(494)	3,633	(5)	3,628
Share of profit of associate	13	-	-	-	4	-	4
Share of profit/(loss) of joint ventures	13	9,130	4,097	13,227	(22)	(21)	(43)
Profit/(loss) before interest and taxation		8,636	4,097	12,733	3,615	(26)	3,589
Interest receivable and similar income	7	98	-	98	83	-	83
Interest payable and similar expenses	8	(186)	-	(186)	(230)	-	(230)
Profit/(loss) before taxation		8,548	4,097	12,645	3,468	(26)	3,442
Tax on profit/(loss)	9	(1,574)	12	(1,562)	(507)	-	(507)
Profit/(loss) for the financial year		6,974	4,109	11,083	2,961	(26)	2,935

The notes on pages 17 to 36 are an integral part of these financial statements.

OSBORNE GROUP HOLDINGS LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Profit for the financial year		11,083	2,935
Revaluation of freehold land and buildings		944	34
Actuarial losses on pension scheme	**20**	(240)	(1,136)
Tax on components of other comprehensive income	**10**	(224)	94
Total comprehensive income for the year		11,563	1,927

The notes on pages 17 to 36 are an integral part of these financial statements.

OSBORNE GROUP HOLDINGS LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	12	5,847	3,457
Investment in joint ventures	13	-	10,791
Investment in associated undertakings	13	-	5
		5,847	14,253
Current assets			
Stocks	14	1,215	1,224
Debtors	15	77,748	68,697
Cash at bank and in hand		31,907	24,592
		110,870	94,513
Creditors: amounts falling due within one year	16	(87,784)	(78,548)
Net current assets		23,086	15,965
Total assets less current liabilities		28,933	30,218
Creditors: amounts falling due after more than one year	17	(7,130)	(8,225)
Provisions for liabilities	18	(2,933)	(2,597)
Net assets excluding pension liability		18,870	19,396
Pension liability	20	(1,491)	(1,950)
Net assets		17,379	17,446
Capital and reserves			
Called up share capital	21	15	-
Revaluation reserve		2,005	1,078
Retained earnings		32,396	15,141
Reverse acquisition reserve		1,153	1,153
Merger reserve		(18,190)	74
Equity attributable to owners of the parent		17,379	17,446
Non-controlling interests		-	-
Total equity		17,379	17,446

The notes on pages 17 to 36 are an integral part of these financial statements.

The financial statements on pages 11 to 36 were approved by the board of directors on 9 August 2018 and were signed on its behalf by:

A S C Osborne
Chairman

S Hammond
Director

Company number 11056197 (England and Wales)

OSBORNE GROUP HOLDINGS LTD

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £000
Fixed assets		
Investment in subsidiary undertakings	13	8,642
		8,642
Current assets		
Cash at bank and in hand		6
		6
Creditors: amounts falling due after more than one year	17	(4,194)
Net assets		4,454
Capital and reserves		
Called up share capital	21	15
Retained earnings		4,439
Total equity		4,454

The company's loss for the period was £2,674,000 and the company's total comprehensive income for the period was (£2,674,000).

The notes on pages 17 to 36 are an integral part of these financial statements.
The financial statements on pages 11 to 36 were approved by the board of directors on 9 August 2018 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 AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

Group	Called up share capital £000	Revaluation reserve £000	Retained earnings £000	Reverse acquisition reserve £000	Merger reserve £000	Total equity £000
Balance at 1 April 2016	-	1,044	13,816	1,153	74	16,087
Profit for the financial year	-	-	2,935	-	-	2,935
Other comprehensive income for the year	-	34	(1,042)	-	-	(1,008)
Dividends paid	-	-	(568)	-	-	(568)
Balance at 31 March 2017	-	1,078	15,141	1,153	74	17,446
Profit for the financial year	-	-	11,083	-	-	11,083
Other comprehensive income for the year	-	944	(464)	-	-	480
Issue of shares to shareholders of subsidiary	-	-	-	-	24	24
Repurchase of capital from shareholders of subsidiary	-	-	(2,339)	-	-	(2,339)
Dividends paid to shareholders of subsidiary	-	-	(408)	-	-	(408)
Redemption of loan notes	-	-	-	-	2,742	2,742
Issue of shares	21,030	-	-	-	-	21,030
Capital reduction and demerger of subsidiaries	(13,688)	-	2,253	-	(21,030)	(32,465)
Dividends paid	-	-	(214)	-	-	(214)
Capital reduction	(7,327)	-	7,327	-	-	-
Transfer	-	(17)	17	-	-	-
Balance at 31 March 2018	15	2,005	32,396	1,153	(18,190)	17,379

Company	Called up share capital £000	Retained earnings £000	Total equity £000
Balance at 9 November 2017	-	-	-
Loss for the financial period	-	(2,674)	(2,674)
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	-
Balance at 31 March 2018	15	4,439	4,454

The notes on pages 17 to 36 are an integral part of these financial statements.

OSBORNE GROUP HOLDINGS LTD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

		2018		2017
	£000	£000	£000	£000
Profit before taxation		12,645		3,442
Adjustments for:				
Interest receivable and similar income	(98)		(83)	
Interest payable and similar expenses	186		230	
Depreciation of tangible assets	816		904	
Loss on disposal of tangible assets	12		2	
Profit on sale of investment property	-		(56)	
Profit on disposal of associate	(45)		-	
Share of (profit)/loss of joint ventures	(13,227)		43	
Share of profit of associate undertakings	-		(4)	
Reversal of joint venture accounting profit restriction on land sale	(536)		-	
Defined benefit pension costs	99		211	
Provision movements	336		443	
Decrease/(increase) in stocks	9		(46)	
Increase in debtors	(11,883)		(3,661)	
Increase/(decrease) in creditors	11,139		(3,005)	
		(13,192)		(5,022)
Cash from operations		(547)		(1,580)
Interest paid	(210)		(230)	
Corporation taxes paid	(958)		(239)	
Defined benefit pension scheme contributions	(798)		(780)	
		(1,966)		(1,249)
Net cash used in operating activities		(2,513)		(2,829)
Cash flows from investing activities				
Purchase of tangible assets	(2,800)		(357)	
Tenant contribution to office fit-out	412		-	
Proceeds on disposal of tangible assets	22		-	
Proceeds on disposal of associate	50		-	
Purchase of investment in joint ventures	(390)		(3,526)	
Receipts from sale of investment properties	-		800	
Disposal of subsidiaries (net of cash disposed)	(3,000)		-	
Interest received	18		7	
Dividends received from joint ventures	9,271		-	
Return of capital by joint venture	7,249		-	
Loan made to related party	(100)		(400)	
Repayment of loan from related party	2,731		-	
Net cash generated from/(used in) investing activities		13,463		(3,476)
Cash flows from financing activities				
Dividends paid to owners of parent	(214)		-	
Dividends paid to shareholders of subsidiary	(408)		(568)	
Proceeds from issue of shares in subsidiary	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	(11)		-	
Funds from revolving credit facility	-		2,000	
Net cash (used in)/generated from financing activities		(3,635)		1,432
Net increase/(decrease) in cash and cash equivalents		7,315		(4,873)
Cash and cash equivalents at the beginning of the year		24,592		29,465
Cash and cash equivalents at the end of the year		31,907		24,592

The notes on pages 17 to 37 are an integral part of these financial statements.

1 Statutory Information

Osborne Group Holdings Ltd was incorporated on 9 November 2017 as a private company limited by shares 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 the Innovare Systems Limited group. 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 2018. 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 holding 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 holding company is not presented as part of these financial statements.

Share for share exchange with shareholders of GCHO Holdings Limited

On 31 January 2018 the company entered into a share for share exchange with the shareholders of GCHO Holdings Limited, effectively inserting the company as the new ultimate parent company of the existing GCHO Holdings Limited group. This transaction meets the definition of a group reconstruction, and as such, in the consolidated financial statements of the newly formed group, the transaction has been accounted for using the merger method of accounting. Under this method the results and position of the group are presented as though the Osborne Group Holdings Ltd group had always existed, despite the company only being incorporated during the current period. The comparative results and position presented are, in effect, those of the GCHO Holdings Limited group.

Reverse acquisition of Geoffrey Osborne Limited by GCHO Holdings Limited

On 4 April 2011 GCHO Holdings Limited, the previous ultimate controlling party of the group, acquired the entire share capital of Geoffrey Osborne Limited in exchange for shares and loan notes. The acquisition was accounted for using reverse acquisition accounting. The true and fair override was applied such that the fair value acquisition accounting requirements of the Companies Act 2006 to revalue the acquired business were not adopted as, in the opinion of the directors, this would not have given a true and fair view of the arrangement, which in substance represented a change in identity of holding company and the introduction of loan notes giving greater security to the shareholders, rather than an acquisition of a business. The directors of GCHO Holdings Limited did not consider that it was practicable to quantify the effect of this departure from the Companies Act 2006 requirements.

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 Associated undertakings and joint ventures

The group's share of profits less losses of associated undertakings and 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. Turnover includes the group's share of turnover of joint arrangement contracts. 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 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 Accounting policies (continued)

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 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.

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.

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 will include 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 2018.

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	15% to 25% reducing balance, 9% 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.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term. The benefit of lease incentives are recognised in the income statement over the lease period. Any operating leases entered into prior to 1 April 2014, the date of transition to FRS 102, spread rent free periods up to the lease break clause.

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 20.

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 20 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 interest receivable and similar income. 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 Accounting policies (continued)

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 Dividends

Dividends unpaid at the end of the financial year are recognised as a liability to the extent that they are appropriately authorised and are no longer at the discretion of the group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2.14 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.

2.15 Property leased to customers

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. Any deposits held on behalf of tenants are shown within creditors.

2.16 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 Accounting policies (continued)

2.17 Critical accounting estimates and judgements

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) 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 judgements on changes in the scope of work, defect liabilities and changes in costs.

(b) Contract provisions

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. Conversely, where the company makes claims for contract variations and programme delays, estimates are made on recoverability on a contract by contract basis.

(c) 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; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The directors estimate these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

(d) Impairment of debtors

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

3 Group reorganisation

The company was incorporated on 9 November 2017 at which date the company had 1 ordinary share of £0.005 in issue.

The company was formed for the purpose of becoming the ultimate parent company of GCHO Holdings Limited, the parent company of an existing operating group.

On 17 January 2018 the company entered into a share for share exchange with the shareholders of GCHO Holdings Limited, issuing 4,205,996,269 ordinary £0.005 shares at £0.005 per share. This effectively inserted the company as the new ultimate parent company of the existing GCHO Holdings Limited group. In the company financial statements the investment in GCHO Holdings Limited was recognised at cost, this being equal to the nominal value of the shares issued.

This transaction was accounted for as a group reorganisation and, accordingly, in the consolidated financial statements of the newly formed group, merger accounting has been applied. Under this method the results and position of the group are presented as though the Osborne Group Holdings Ltd group had always existed, despite the company only being incorporated during the current period. The comparative period results and position presented are, in effect, those of the GCHO Holdings Limited group. A merger reserve of £18,190,000 has arisen on consolidation in respect of this transaction.

Following the share for share exchange, the company undertook a number of further transactions as part of a wider group reorganisation:

- On 17 January 2018 the company sub-divided its ordinary share capital into 1,468,396,270 A shares and 2,737,600,000 B shares;
- On 17 January 2018 the company received, by way of dividend in specie from its subsidiary undertaking, GCHO Holdings Limited 100% of the share capital of Fishbourne Number 4 Limited and GO Developments (Andover Road) Limited which it recognised at fair value of £13,688,000;
- On 31 January 2018 the company undertook a simultaneous reduction and return of capital, whereby the B shares were cancelled and the investments in Fishbourne Number 4 Limited and GO Developments (Andover Road) Limited were transferred to Rosewood Group Holdings Ltd, a company outside the group, but with identical equity shareholders as Osborne Group Holdings Ltd;
- On 31 January 2018 the company sub-divided its A shares into 1,068,396,270 New A shares and 400,000,000 C shares;
- On 31 January 2018 the company acquired 100% of the share capital of Innovare Systems Limited from Geoffrey Osborne Limited in consideration for loan notes of £1;
- On 31 January 2018 the company acquired 100% of the share capital of Geoffrey Osborne Limited and Osborne Developments Holdings Ltd from GCHO Holdings Limited in consideration for loan notes of £4,180,000.

4 Discontinued operations

As part of the group reorganisation disclosed in note 3, 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 identical equity shareholders as Osborne Group Holdings Ltd, by way of a simultaneous reduction and return of capital. During the year these entities contributed a post-tax profit of £4,109,000 (2017: post-tax loss of £26,000).

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:

	2018 £000	2017 £000
Contracting activities	318,534	347,417
Sale of development properties	-	800
Rental income	202	82
	318,736	348,299
Share of turnover of joint ventures	(421)	(158)
Group turnover	318,315	348,141

6 Group operating (loss)/profit

	2018 £000	2017 £000
Group operating (loss)/profit is stated after (crediting)/charging:		
Loss/(profit) on sale of tangible assets and investment properties	12	(54)
Profit on disposal of associate	(45)	-
Defined benefit pension costs	99	211
Depreciation of tangible assets - owned	796	904
Depreciation of tangible assets - held under finance lease	20	-
Operating lease rentals:		
- Plant and machinery	8,962	9,783
- Land and buildings	1,207	779
Cost of stock recognised as an expense	6,683	5,139
Services provided by the group's auditors:		
- Fees payable for audit work for company and consolidated financial statements	8	8
- Fees payable for audit work for subsidiaries	222	103
- Fees payable for other services - tax compliance	26	36
- Fees payable for other services - tax advisory	158	7
- Fees payable for other services - legal services	21	-

7 Interest receivable and similar income

	2018 £000	2017 £000
Interest on bank deposits	18	7
Other interest receivable	80	76
	98	83

Other interest receivable relates wholly to interest charges associated with a loan to a related company (note 29).

8 Interest payable and similar expenses

	2018 £000	2017 £000
Bank loans and overdrafts	80	84
Loan notes	104	145
Finance lease interest	2	-
	186	230

9 Tax on profit/(loss)

(a) Included in profit or loss

	2018 £000	2017 £000
UK corporation tax on profit for the year		
UK corporation tax	461	194
Adjustments in respect of previous years	964	52
Total current tax	1,425	246
Deferred tax		
Origination and reversal of timing differences	137	261
Total deferred tax	137	261
Tax on profit	1,562	507

£842,000 (2017: £nil) of the adjustment in respect of previous years has arisen due to the financial year-end of the group's joint venture investments not being co-terminus with the group's financial year-end.

(b) Included in other comprehensive income

	2018 £000	2017 £000
Deferred tax		
Origination and reversal of timing differences	246	(113)
Impact of change in tax rate	(22)	19
Total tax charge/(credit) included in other comprehensive income	224	(94)

(c) Reconciliation of tax charge

The tax assessed for the financial year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%).

Factors affecting the tax charge for the year	2018 £000	2017 £000
Profit before taxation	12,645	3,442
Profit before taxation multiplied by standard rate of UK corporation tax of 19% (2017: 20%)	2,403	688
Effects of:		
Non deductible expenses	100	263
Income not subject to tax	(2,513)	-
Non deductible expenses - joint venture related	(102)	-
Losses utilised	-	(245)
Tax on share of joint venture profits	869	-
Pension cost relief in excess of net pension cost charge	(181)	(253)
Adjustments in respect of previous years	964	52
Other tax adjustments	(1)	2
Group relief surrendered	23	-
Tax charge for the year	1,562	507

10 Deferred tax

Group

	Pension scheme deferred tax £000	Deferred taxation asset £000
Balance at 1 April 2017	371	339
Income statement deferred tax charge	-	(137)
Other comprehensive income deferred tax charge	(88)	(136)
Balance at 31 March 2018	283	66

Deferred tax is fully provided at 17-19% (2017: 19%) analysed over the following timing differences:

	2018 £000	2017 £000
Capital allowances	(175)	(64)
Unutilised tax losses	582	608
Revaluation of properties	(341)	(205)
Pension scheme	283	371
Total timing differences	349	710

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.

At the year end, the Finance Bill 2017 had been enacted confirming that the main UK corporation tax rate will reduce to 17% from 1 April 2020. Therefore, at 31 March 2018, 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.

The net deferred tax asset expected to reverse in the year ended 31 March 2019 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 at 31 March 2018.

11 Dividends

	2018 £000	2017 £000
Group		
First interim dividend paid	408	382
Second interim dividend paid	214	186
	622	568

One interim dividend totalling £408,000 was approved and paid during the year by GCHO Holdings Limited, prior to the insertion of Osborne Group Holdings Ltd as the the new ultimate parent company of the existing GCHO Holdings Limited group (2017: two interim dividends totalling £568,000). A second interim dividend totalling £214,000 was paid by the company following the group reconstruction. The directors do not recommend the payment of a final dividend in respect of 2018 (2017: £nil).

11 Dividends (continued)

	2018
	£000
Company	
Interim dividend paid	214
	214

One interim dividend totalling £214,000 was approved and paid during the year. The directors do not recommend the payment of a final dividend in respect of 2018.

12 Tangible assets

(a) Group

	Freehold land and buildings	Leasehold improvements	Fixtures and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2017	1,590	1,026	6,058	8,674
Additions	-	125	2,171	2,296
Revaluation	910	-	-	910
Disposals	-	-	(450)	(450)
At 31 March 2018	2,500	1,151	7,779	11,430
Accumulated depreciation				
At 1 April 2017	-	524	4,693	5,217
Charge for the financial year	34	151	631	816
Revaluation	(34)	-	-	(34)
Disposals	-	-	(416)	(416)
At 31 March 2018	-	675	4,908	5,583
Net book value				
At 31 March 2018	2,500	476	2,871	5,847
At 31 March 2017	1,590	502	1,365	3,457

The net book value of fixtures and equipment includes £730,000 (2017: £nil) in respect of assets held under finance leases.

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

	2018	2017
	£000	£000
At cost	892	892
Increase due to valuation	1,608	698
	2,500	1,590

12 Tangible assets (continued)

(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 14 May 2018, which the directors consider to be representative of the statement of financial position date. 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 re-valued, they would have been included at the following amounts:

	2018	**2017**
	£000	**£000**
Cost	892	892
Accumulated depreciation	(397)	(363)
Net book value	495	529

Company

The company has no tangible assets.

13 Investments

(a) Investment in subsidiary undertakings

Company	**£000**
Cost and carrying amount	
At 9 November 2017	-
Additions	38,898
Simultaneous reduction and return of capital	(13,688)
Impairment	(16,568)
At 31 March 2018	8,642

On 17 January 2018 4,205,996,269 ordinary shares were allotted at £0.005 per share in exchange for 100% of the share capital of GCHO Holdings Limited, recognising an investment of £21,030,000.

On 17 January 2018 the company received, by way of dividend in specie from its subsidiary undertaking, GCHO Holdings Limited, 100% of the share capital of Fishbourne Number 4 Limited and GO Developments (Andover Road) Limited which it recognised at fair value of £13,688,000. On 31 January 2018 the company undertook a simultaneous reduction and return of capital, whereby the B shares were cancelled and the investments in Fishbourne Number 4 Limited and GO Developments (Andover Road) Limited were transferred to Rosewood Group Holdings Ltd, a company outside the group, but with identical equity shareholders as Osborne Group Holdings Ltd.

On 31 January 2018 the company acquired 100% of the share capital of Geoffrey Osborne Limited and Osborne Developments Holdings Ltd from GCHO Holdings Limited in consideration for loan notes of £4,180,000.

During the year an impairment loss of £16,568,000 was recognised within administrative expenses in respect of the company's investment in GCHO Holdings Limited, as a result of this subsidiary disposing of its own fixed asset investment portfolio.

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

13 Investments (continued)

(a) Investment in subsidiary undertakings (continued)

The company owns the whole of the issued ordinary share capital of 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
GCHO Holdings Limited	Holding company	100
Innovare Systems Limited	Building subcontractor and manufacturer of structural insulated building panels	100
Osborne Developments Holdings Ltd	Holding company	100

The company also indirectly owns the following group undertakings:

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

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

(b) Investment in associated undertakings

Group	2018	2017
	£000	£000
Carrying amount		
At 1 April 2017	5	1
Share of profit	-	4
Disposals	(5)	-
At 31 March 2018	-	5

On 19 October 2017 the group transferred all of its 15% interest in the share capital of The BIM Limited to Reigate No.1 Limited (a related company) for proceeds of £50,000.

Company

The company has no direct interest in investments in associated undertakings.

13 Investments (continued)

(c) Investment in joint ventures

Group	**2018**	**2017**
	£000	**£000**
At 1 April	10,791	7,308
Purchase of interest in joint ventures	390	3,526
Return of capital	(7,249)	-
Dividends received	(9,271)	-
Share of profit/(loss)	13,227	(43)
Reversal of joint venture accounting profit restriction on land sale	536	-
Disposal	(8,424)	-
At 31 March	-	10,791

There was a further cash investment in joint ventures of £390,000 during the year (2017: £3,526,000).

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.

During the year the group also had an interest in the following joint ventures, which are registered and operate in England:

Name	**Principal activity**	**Interest held %**
Winchester Student No.1 LLP	Property developer	50
Winchester Student No.2 LLP	Property developer	50

The registered address of Winchester Student No.1 LLP and Winchester Student No.2 LLP is Fonteyn House, 47 - 49 London Road, Reigate, Surrey, RH2 9PY.

As part of the group reconstruction disclosed in note 3 the group disposed of its investments in Winchester Student No.1 LLP and Winchester Student No.2 LLP.

The joint venture financial years are 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 investment in joint ventures.

14 Stocks

	Group	
	2018	**2017**
	£000	**£000**
Raw materials and consumables	315	324
Development land	900	900
	1,215	1,224

The difference between the book value and replacement cost of stocks is not considered to be significant.

Company
The company has no stocks.

15 Debtors

	Group		Company
	2018	**2017**	**2018**
	£000	**£000**	**£000**
Amounts recoverable on long term contracts	44,447	40,608	-
Trade debtors	30,395	21,938	-
Amounts owed by related companies	101	2,551	-
Deferred tax asset (see note 10)	349	710	-
Other debtors	698	88	-
Other taxation and social security	-	1,742	-
Prepayments and accrued income	1,758	1,060	-
	77,748	68,697	-

Included within group other debtors is £642,700 (2017: £nil) relating to deposits paid in relation to the purchase of development land due to complete during 2018/19, subject to the achievement of satisfactory planning permission being granted.

Included within group trade debtors is £1,241,000 (2017: £nil) due from Winchester Student No.1 LLP and included within group amounts recoverable on long term contracts is £592,000 (2017: £nil) 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
	2018	**2017**	**2018**
	£000	**£000**	**£000**
Trade debtors	4,397	5,364	-
Amounts owed by related companies	-	2,551	-
Deferred tax asset	349	640	-
	4,746	8,555	-

16 Creditors : amounts falling due within one year

	Group		Company
	2018	2017	2018
	£000	£000	£000
Bank loans and overdrafts	2,000	2,000	-
Payments received on account	3,791	5,796	-
Trade creditors	16,631	22,386	-
Corporation tax	473	6	-
Other taxation and social security	2,116	1,519	-
Other creditors	331	397	-
Finance lease obligations	141	-	-
Accruals and deferred income	62,301	46,444	-
	87,784	78,548	-

Included within group bank loans and overdrafts is £2,000,000 (2017: £2,000,000) drawn under the group's main revolving £5,000,000 credit facility, a facility committed until 15 December 2018 with interest payable at a variable rate of LIBOR plus 2.25%. A commitment fee of 0.9% is charged on the undrawn amount. The facility is secured by an unlimited guarantee and debenture provided by Geoffrey Osborne Limited and GCHO Holdings Limited.

During the year the group entered into a supply chain finance agreement with a third party, whereby the third party paid £2,220,000 of amounts owed to sub-contractors on behalf of the group. The amount owed to the finance provider at the year-end as a result of this totalled £2,220,000 (2017: £nil) and is included within group trade creditors. The balance bears interest at a monthly rate of 0.75%. The amount was repaid in full, along with the interest charge, on 16 April 2018.

17 Creditors: amounts falling due after more than one year

	Group		Company
	2018	2017	2018
	£000	£000	£000
Trade creditors	6,532	4,045	-
Loan notes	-	4,180	-
Amounts owed to group undertakings	-	-	4,194
Finance lease obligations	598	-	-
Maturity of debt			
Due between one and five years	7,130	8,225	-
Due after more than five years	-	-	4,194

Loan notes

Loan notes were issued to the shareholders of GCHO Holdings Limited, the previous ultimate parent company of the existing GCHO Holdings Limited group, on the purchase of Geoffrey Osborne Limited. The loan notes attract interest at 3 month LIBOR plus 3%, payable quarterly in arrears. The loan notes were secured principally on properties of subsidiary companies together with any cash received on the sale of these properties and were repayable in full on 4 April 2021.

Prior to the group reconstruction disclosed in note 3, the loan notes were redeemed in full on 29 December 2017 in exchange for cash of £1,436,661 and the issue of 109,734 ordinary £0.01 shares in GCHO Holdings Limited, allotted at £25.00 per share.

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.

17 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 (2017: nil). The total future minimum lease payments are payable as follows:

	2018 £000	2017 £000
Due within one year	163	-
Due between one and five years	637	-
Total gross payments	**800**	-
Less: future finance charges	(61)	-
Carrying value of obligation	**739**	-

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 4.9 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Provisions for liabilities

	Group £000
Remedial cost provision	
At 1 April 2017	2,597
Charged to the income statement	336
At 31 March 2018	2,933

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.

19 Financial Instruments

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

	2018 £000	2017 £000
Financial assets:		
Debt instruments measured at amortised cost	31,285	24,577
Financial liabilities:		
Measured at amortised cost	87,753	79,405

20 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	2018 £000	2017 £000
Contributions payable by the group for the financial year	4,770	3,922

Contributions include £179,000 (2017: £154,000) paid to Hertfordshire County Council Pension Fund in respect of 18 employees (2017: 24 employees) and £65,000 (2017: £nil) paid to Berkshire County Council Pension Fund in respect of 34 employees (2017: nil employees) that belong to their previous employers' defined benefit pension plans. Contributions also include £374,000 (2017: £nil) 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.

20 Pension costs (continued)

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 2018 there were 53 (2017: 60) deferred members and 88 (2017: 83) 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 £798,000 (2017: £780,000) are calculated by an independent actuary on the basis of triennial valuations. 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. The current arrangements as regards to the contribution levels are described in the schedule of contributions dated 29 October 2014. The company has agreed to continue the same contributions following the conclusion of the 1 April 2016 actuarial valuation.

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 2018 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 2018 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:

	2018	2017
	%	%
Rate of increase in pensions in payment	3.10	3.10
Rate of increase in pensions in deferment	2.20	2.30
Discount rate	2.60	2.60
Inflation assumption (RPI)	3.20	3.30
Inflation assumption (CPI)	2.20	2.30
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*	
	2018	**2017**	**2018**	**2017**
	Years	**Years**	**Years**	**Years**
Males	22.1	22.2	23.5	24.0
Females	24.0	24.3	25.5	26.2

The fair value of the plan assets is made up as follows:	**2018**	**2017**
	£000	**£000**
Equities	2,429	6,531
Corporate bonds	1,611	2,026
Gilts	2,082	2,018
Other assets	2,217	150
Total fair value of plan assets	8,339	10,725

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.

20 Pension costs (continued)

Reconciliation of scheme assets and liabilities	Assets £000	Liabilities £000	Total £000
At 1 April 2017	10,725	(12,675)	(1,950)
Expenses	-	(58)	(58)
Interest income/(expense)	245	(286)	(41)
Employer contributions	798	-	798
Benefits paid	(3,438)	3,438	-
Remeasurement (losses)/gains:			
- Actuarial losses	-	(249)	(249)
- Return on plan assets excluding interest income	9	-	9
At 31 March 2018	8,339	(9,830)	(1,491)

The return on plan assets was:	2018 £000	2017 £000
Interest income	245	329
Return on plan assets less interest income	9	1,693
Actual return on plan assets	254	2,022

Defined benefit costs recognised in the consolidated income statement

	2018 £000	2017 £000
Expenses	58	104
Net interest cost	41	40
Losses on settlements	-	67
Defined benefit costs recognised in the income statement	99	211

Defined benefit costs recognised in the consolidated statement of comprehensive income

	2018 £000	2017 £000
Return on plan assets (excluding amounts included in net interest cost)	9	1,693
Experience losses	(442)	(455)
Changes in assumptions underlying the present value of plan liabilities	193	(2,374)
Total actuarial loss	(240)	(1,136)

21 Called up share capital

Group and company

	Shares of £0.005 each 000's				
	Ordinary	**A**	**B**	**C**	**New A**
Allotted and fully paid					
At 9 November 2017	-	-	-	-	-
Issued on incorporation	-	-	-	-	-
Share issue	4,205,996	-	-	-	-
Sub-division	(4,205,996)	1,468,396	2,737,600	-	-
Cancellation	-	-	(2,737,600)	-	-
Further sub-division	-	(1,468,396)	-	400,000	1,068,396
Capital reduction	-	-	-	(399,167)	(1,066,143)
Consolidation into £0.01 shares	-	-	-	(833)	(2,253)
At 31 March 2018	-	-	-	-	-

	Shares of £0.01 each 000's				
	Ordinary	**A**	**B**	**C**	**New A**
Allotted and fully paid					
At 9 November 2017	-	-	-	-	-
Consolidation of £0.005 shares	-	-	-	417	1,127
At 31 March 2018	-	-	-	**417**	**1,127**

On incorporation 1 ordinary share was allotted at £0.005 per share.

On 17 January 2018 4,205,996,269 ordinary shares were allotted at £0.005 per share. On the same date the company sub-divided these ordinary shares into 1,468,396,270 A shares and 2,737,600,000 B shares.

On 31 January 2018 2,737,600,000 B shares were cancelled and returned to the company. On this date the company also sub-divided its A shares into 1,068,396,270 New A shares and 400,000,000 C shares.

On 19 February 2018 the company undertook a solvency statement capital reduction, whereby share capital was reduced by £5,330,717 of New A shares and £1,995,834 of C shares, and reclassified as retained earnings. On the same date the company consolidated each two £0.005 shares into one £0.01 share.

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.

22 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 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.

23 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.

24 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	
	2018	**2017**
	£000	**£000**
Due within one year	1,205	808
Due between two and five years	4,915	2,331
Due after five years	3,487	208
	9,607	3,347

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	
	2018	**2017**
	£000	**£000**
Due within one year	97	88
Due between two and five years	861	83
Due after five years	945	-
	1,903	171

The operating leases represent the sub-lease of three properties occupied by the group to third parties negotiated over an average lease term of 3.8 years (2017: 2.1 years).

25 Capital commitments

The group had no capital commitments at 31 March 2018 (2017: £nil).

26 Directors' emoluments

	2018	**2017**
	£000	**£000**
Aggregate emoluments for qualifying services	1,563	1,037
Compensation for loss of office	-	252
Contributions to defined contribution pension scheme	44	43

The number of directors for whom retirement benefits are accruing under defined contribution pension schemes amounted to 2 (2017: 3).

The number of directors for whom retirement benefits have accrued under defined benefit schemes amounted to 1 (2017: 2).

26 Directors' emoluments (continued)

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

	2018 £000	2017 £000
Aggregate emoluments for qualifying services	767	490
Company contributions to defined contribution pension scheme	10	21
	777	511

27 Employees

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

	Group		Company
	2018 Number	2017 Number	2018 Number
Construction	201	189	-
Infrastructure	293	308	-
Administration and central functions	125	131	-
Property maintenance and support	246	200	-
Manufacturing	50	43	-
	915	871	-

	Group		Company
Employment costs	2018 £000	2017 £000	2018 £000
Wages and salaries	44,696	39,782	-
Social security costs	4,479	4,356	-
Other pension costs (note 20)	4,869	4,133	-
	54,044	48,271	-

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.

28 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.

29 Related party transactions

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

	Sale of contract services		Management charges receivable	
	2018	**2017**	**2018**	**2017**
	£000	**£000**	**£000**	**£000**
Other related parties	2,137	-	129	75
	Costs paid on behalf of related parties		**Interest receivable**	
	£000	**£000**	**£000**	**£000**
Other related parties	17	109	80	76
	Amounts owed by related parties			
	£000	**£000**		
Other related parties	101	2,551		

Other related parties comprise entities within the Rosewood Group Holdings Ltd group, which is controlled by the same shareholders as the company's ultimate parent company, Osborne Group Holdings Ltd, and entities with common key management personnel.

The amounts oustanding at 31 March 2017 were repayable on 2 August 2019 and secured by a fixed charge over development land held by the related party. No guarantees were given or received. No expense has been recognised in the year (2017: £nil) in respect of bad debts from related parties. All amounts were fully repaid during the year. The amounts outstanding at 31 March 2018 are unsecured, repayable on demand and interest free. No guarantees have been given or received.

The amounts outstanding from other related parties at 31 March 2018 are unsecured, repayable on demand and interest free. No guarantees have been given or received.

The total remuneration of the directors, who are considered to be the key management personnel of the group, was £1,817,000 (2017: £1,040,000), including employer's national insurance of £210,000 (2017: £112,000).

30 Events after the reporting period

On 7 August 2018 the sale of the development land was completed.

On 9 August 2018 a dividend of £0.41 per share was declared and paid on the New A shares.