RIGBY

GROUP PLC

ANNUAL REPORT AND
FINANCIAL STATEMENTS

31 MARCH 2016

RIGBY GROUP (RG) PLC AND SUBSIDIARY UNDERTAKINGS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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RIGBY GROUP (RG) PLC AND SUBSIDIARY UNDERTAKINGS

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STRATEGIC REPORT
For the year ended 31 March 2016

The strategic report has been prepared for the group as a whole in accordance with section 414C the Companies Act 2006.

CHAIRMAN'S STATEMENT

As Rigby Group celebrates over 41 years in business, it gives me great pride to look back at the origins of our family business and how it continues to meet the vision I had to build a group that would be not only entrepreneurial and responsive but also long-lasting and substantial.

Today, some 41 years and over 70 acquisitions and 60 start-ups later, I am the proud Chairman of a £1.8bn turnover international business with 6 key divisions, over £280m of net assets, over £980m of gross assets, around 7,500 staff as at 31 March 2016. Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the continuing group was £54.4m for the year ended 31 March 2016.

Focusing on the future and the passions and expertise of various family members, Rigby Group has diversified away from its origins as a principally technology led business. It now comprises divisions spanning Technology (SCC is Europe's largest independent IT services business); Airports (Regional & City Airports); Hotels (Eden Hotel Collection); Aviation (primarily British International Helicopters & Capital Air Ambulance); Financial Services (Rigby Private Equity, Rigby Technology Investments & Rigby Capital); and Real Estate (ranging from Rigby & Rigby's super prime London residential property development to the Coventry & Warwickshire Gateway - a £450m regional development scheme and a new commercial development arm operating under the 'Imperial Park' brand).

By making smart, strategic acquisitions, it is now a highly effective, lean and fast-moving business that is the trusted partner of government; the military; global corporations; major charities; and to thousands of vibrant small businesses and tenacious entrepreneurs who are busy building their own Rigby Groups.

With two generations of the family at the helm, Rigby Group has built a distinguished reputation as both an investor & business operator; renowned for its independent thinking, seamless execution and a peerless approach to acquiring and nurturing businesses to unleash their potential. Its target, within the next decade, is to double the achievements of the past 41 years - creating a £1bn market value diversified group by 2025 that will make Rigby Group one of the most successful wholly-owned family businesses the UK has ever produced.

Rigby Group's innovation is found in its uncommon ability to leverage the skills and experience contained within a diverse range of interests to support and grow each and every opportunity it creates or identifies.

Since hitting the acquisition trail in earnest in 2013, the group has completed sixteen deals (including two by Rigby Private Equity) - making it one of the most active firms in its sectors, in terms of number of transactions. Rigby Private Equity was built on the principle of a Buy and Build strategy, focussing on bringing the group's wide ranging skills and experience to support the development and performance of its investments. This enables Rigby Private Equity to deliver a powerful return to shareholders.

In 2015, the group launched Rigby Capital, a highly innovative technology finance and leasing business. The group's extensive experience and knowledge of the IT market had evidenced a strong demand for a different type of IT leasing solution and led to the formation of this new business. Rigby Capital was designed to be more flexible and customer-responsive than the existing players in the market and was backed by the Rigby Group brand, independence and financial stability to offer customers a strong sense of security and expertise. In Rigby Capital, the group is offering a service and solution which is genuinely different to what is already on the market and it is already adding significant value to Rigby Capital's customers as well as to the group, having activated over £20m of financing agreements by 31 March 2016.

The group's technology division, SCC, has been recognised for its market-leading approach to delivering IT managed services by winning two major managed services awards, as the business continues to gain recognition for its continued investment and growth in cloud delivered managed services.

STRATEGIC REPORT (continued)

CHAIRMAN'S STATEMENT (continued)

Since 2013, there has been a very clear intent to grow the group's portfolio through acquisition. It's been one of the most active groups in its chosen market sectors (in terms of numbers of transactions) in the last couple of years and it remains in a strong financial position, able to build on this further as the group aggressively pursues profitable growth across all of its six divisions.

I am particularly pleased that donations by our dedicated charity, The Rigby Foundation, exceeded the £1million mark into causes close to the group's heart. Established on the principle that success in business goes hand-in-hand with putting back into society and communities, the Foundation focuses on lifelong learning, health and education and over the past 40 years, has woven itself into the fabric of the communities in which the group operates - not only through financial donations but also by donating the group's expertise, time and resources too. The Foundation has also made several substantial and sustainable donations to several life changing legacy projects including The Rigby Zone to facilitate collaboration between clinicians, nursing specialist organisations and volunteers at the new Marie Curie Hospice in Solihull and £500k to champion innovative cancer care at the new Rigby Wing of the Stratford upon Avon Hospital.

The first Rigby Awards for 2016 will improve cancer treatment and care locally and will range from the first time chemotherapy will be provided at home, to exploring the link between breast cancer and vitamin D deficiency.

The group's guiding principle continues to be building on existing areas of strength and areas which really add value to investments. And the acquisitions market is ripe in the group's six core market sectors, which will allow significant expansion over the next 12 months. The group also expects to see significant organic growth too, launching new business and services which take advantage of niche market opportunities - much as it did with the launch of Rigby Capital in 2015. The group's fifth decade is set to be an active and exciting one, full of potential.

Each of the divisions now have independent growth plans and active mergers and acquisitions programmes to add new opportunities and investments to the group and the group is firmly on track to become one of the UK's most profitable privately owned businesses and, by 2025, one of the most successful wholly-owned family businesses the UK has ever produced.

Sir Peter Rigby
Rigby Group
Chairman & Chief Executive

STRATEGIC REPORT (continued)

CHIEF OPERATING OFFICER'S REPORT

Rigby Group closed the financial year with a substantial improvement in overall scale and profitability.

The hard work of the last three years is now paying off. We no longer have a single business but a capable group, which in time will transform into one of the UK's most profitable wholly owned private businesses. We have exciting new divisions set to transform the landscape of the group and it is clear in time that the business will have a number of material £100m+ market value divisions.

Revenues increased to £1.8bn, up 9.8% on prior year, group Earnings Before Interest, tax, Depreciation, Amortisation and Exceptional items ("EBITDAE") rose to £53.9m, up 56.4% on prior year, group operating profit rose 117.3% to £32.0m and profit before tax rose 23.5% to £22.3m.

The Technology division, led through SCC UK, can grow substantially through the momentum and capability of the datacentre investments we have made. Once the product business stabilises and with a declining overhead base, SCC UK is set to increase its profitability in coming years. During 2016, the UK business will undoubtedly feel the effects of Brexit which may cause some temporary easing of our growth ambitions. Whilst SCC France remains the market leader in product reselling, the new investments in Cloud are set to change the profitability of the business.

The technology division contributed 59.9% of the group's EBITDAE, with the remaining divisions contributing 40.1%, with substantial EBITDAE of £12.6m in the Real Estate division and £6.5m in the Financial Services division.

During the year the group invested £38.1m of cash in acquisitions and £37.4m in capital expenditure to further develop the growth of the group in its future business ambitions. Despite over £75.0m of investment, the group closed with gross cash resources of £109.5m, down by £26.2m from £135.7m in the prior year.

All divisions delivered positive EBITDAE results with a stand out performance in the Airports division with EBITDAE growth of 36.3%. The Hotel division benefited from the sale of Tides Reach to deliver £1.7m of EBITDAE and the Aviation division delivered £0.7m of EBITDAE.

The Airport division's EBITDA grew to £6.3m excluding Coventry Airport and, with a further planned acquisition, we anticipate that EBITDA will reach our target of £10.0m, which will drive real value.

The Hotels division looks set to improve profitability. The portfolio continues to develop and the brand is improving in its reputation and capability.

The Real Estate division remains one of our most interesting opportunities. The B8 logistics opportunities at various sites controlled by the group are substantial and could deliver £1bn of total development value to the group. Rigby & Rigby continues to cement its position as London's premier private client developer in the super prime residential market.

The Aviation division is starting to deliver profitable key commercial and military contracts and is now firmly refocussed on commercial helicopter managed services - both for civilian and military contracts - fixed wing engineering and niche Air Ambulance Repatriation Services.

The Financial Services division will continue to see substantial growth through Nuvias Group, which will become our second largest business by turnover in the year ending 31 March 2017. The Rigby Capital UK leasing business is making positive progress, although it will not make a major financial contribution to the group until at least the year ending 31 March 2018.

Investments had a challenging year to March 2016, with substantial mark to market losses at the year end and reduced returns on disposals during the year. We anticipate that the portfolio will recover during the forthcoming financial year and will deliver significant returns to the group to help offset central overheads.

The new Rigby Technology Investments businesses are an exciting opportunity and have the potential to enhance the technology division's profitability and return resources back to the group in 2019.

STRATEGIC REPORT (continued)

CHIEF OPERATING OFFICER'S REPORT (continued)

The opportunities ahead of the group remain very positive, the management team is growing with many new key senior director roles appointed, allowing the dependence on the Rigby family members to reduce. Our business plan remains prudent on debt utilisation and our cash generation looks to offset the significant future mergers & acquisitions and capital expenditure requirements.

2016 marks the Rigby Group's transformation from an organisation focused almost entirely on technology services to a diverse vibrant group showing profitable growth across each of its divisions

As we turn to FY17, the group has large ambitions with £10m+ divisional EBITDA targets in Technology, Real Estate and Financial Services and an overall goal to deliver in excess of £60m group EBITDA.

Steve Rigby
Rigby Group
Chief Operating Officer

STRATEGIC REPORT (continued)

TECHNOLOGY – SCC EMEA

“one of Europe’s largest independent IT groups”

SCC EMEA is a European Technology Solutions Provider, supplying, integrating and managing our customers’ IT products and services and is one of Europe’s largest independent IT groups. Our portfolio of services spans from supply through to fully managed services, infrastructure optimisation, unified communications and data centre services. We deliver Managed Services, Professional Services and Cloud Delivered Managed Services (CDMS) to a portfolio of customers from the public and private sectors, operating in a broad range of sectors including Financial, Logistics, Utilities, Communications, Manufacturing, Services and Retail.

Our strategy to increase profitability and reduce costs for our customers focuses on seven key areas: Enterprise Infrastructure; Datacentre Hosting and Cloud Infrastructure; IT Outsourcing; Desktop and Workplace; Software and Software Asset Management; Network and Security and Flexible Resourcing.

We value our Strategic Vendor Partnerships which underpin our business strategy in each territory. Partnerships have been established with many vendors of which HP, EMC, Cisco, IBM, VMWare, Microsoft, NetApp, Symantec, Citrix, Lenovo and Oracle are pre-eminent.

Over the last few years we have been awarded a number of UK, European and Global Awards from several vendor partners. These awards include Oracle’s UK and European Server and Storage Partner of the Year, Oracle’s Global Specialised Partner of the Year in Server and Storage and HP’s Partner One Worldwide New Style of IT Partner of the Year. In 2016 we were named IBM’s top business partner in Europe after being awarded the IBM Choice Award for Top Business Partner, Europe in recognition of commitment to IBM values and client satisfaction.

Our UK Managed Services business was recognised by winning IT Europa’s Managed Service Solution of the year, awarded for best practice in customer solutions, following successful completion of a complex CDMS project for WHSmith. The title of IT Managed Services provider of the year was also achieved at the UK CRN Awards where the business was recognised for its “clear strategy and exceptional service”.

Our Global Delivery Centre in Romania was named “Outsourcing Company of the Year” at the Regional IT and Outsourcing Awards and “SCC Company of the Year” at the 2016 Romanian Outsourcing Awards for Excellence.

Our aim is to be recognised by our customers, employees, vendors and partners as the market leading technology solutions provider around infrastructure. In 2014, the group enacted a three year plan to deliver our ambition, targeting to achieve £50m EBITDAE in the division by 2017.

KPI’s (see definitions on page 28)

Continuing revenues - £1.53bn
Gross Profit - £196.2m – 12.7% of turnover
Continuing EBITDAE - £32.8m – 2.1% of turnover
Continuing PBT - £15.8m – 1.0% of turnover
Net assets - £129.5m
RONA - 11.8%

Key facts

No. 1 IT reseller position in France
No. 2 IT reseller position in UK
67% CDMS revenue growth
3,000 rack capacity data centres
5,600 employees, over 1,000 in Romania
75+ offices in the UK, France, Spain and Romania
Supporting more than 5 million users
Leading strategic partner to 50+ leading vendors
2,500+ customers across Europe

STRATEGIC REPORT (continued)

SCC EMEA CHIEF EXECUTIVE'S REPORT

SCC EMEA has enjoyed another strong year, with overall revenues (including sales to other group companies) of £1.55bn consistent with the prior year representing growth of 2% on a constant currency basis.

Operating Profitability grew by 10.2%, to £18.2m and EBITDAE was consistent with the prior year at £32.3m.

SCC continues to be the largest individual division of the Rigby Group, accounting for more than 86.3% of revenues and increasing profitability to support the group's acquisition programme.

Our UK business continues to grow its services business which was 11% higher following a 21% growth in the prior year, underpinned by a 20% growth in our Annuity business which includes a 67% growth in cloud services. Overall turnover was flat year on year as low margin turnover was replaced with services revenues, which now represent 27% of the business compared to 17% only 3 years ago.

SCC UK, including the operations of M2, delivered EBITDA of £24.9m, an increase of 29% on the prior year. Our UK growth trend is positive with emphasis on stronger margin business and continued growth in CDMS and print services.

Our European businesses also continued to grow in local currency terms.

SCC Spain increased its revenue by 5% over the previous year to €64m, with growth in services turnover of 7% in the year.

SCC France followed up last years' record EBITDA performance with another strong year returning €13.3m for the year. We continue to enjoy long term success in the French market place, which remains a key part of our future growth plans. Immediately following our year end close, we invested in our Data Centre Infrastructure services business, through the acquisition of Flowline Technologies, a business located in Paris and Lyon which will accelerate growth in our services and cloud businesses in the country. SCC France is one of the 5 largest British businesses in the country and one of the top 10 Infrastructure providers in the France.

SCC Romania has continued the growth of previous years, with a 28% increase in turnover. Employee numbers have grown by 30% with plans to grow from the current level of 1,000 staff to 1,200 in the next twelve months necessary to keep pace with customer demand.

Over the coming year, we will establish a business in Vietnam to complement our Global Delivery Centre in Romania. Access to an extra pool of IT skills and the time zone advantages which Vietnam brings, will enable us to keep pace with the demand for customer support in the UK and in France, whilst also providing the capability to develop our in house software applications so important to providing our customers with excellent service.

SCC has always been a company with vision and an ability to deliver. I believe that maintaining a clear focus on our core objective, of using technology to transform business performance, is what is helping to drive our continued success and we have an exciting year ahead as we grow our businesses both organically and through further investments.

We have developed a much closer relationship with our customers, acting as their partners rather than simply their service providers. We still offer transactional reselling of IT products to customers, but our customers look to us to be their advisors. The key to our growth remains how we nurture these customer relationships, working alongside them to get under the skin of their business aspirations and helping them to not only source their IT solutions but to design their technological architecture.

Our Services business continues to grow and underpin our profitability through growth in recurring revenues. We have seen growth in our Cloud Delivered Managed Services of over 200% over the last 2 years, with a strong pipeline and more growth coming in the next financial year.

STRATEGIC REPORT (continued)

SCC EMEA CHIEF EXECUTIVE'S REPORT (continued)

Technology investments by the wider Rigby Group in Fluidata, One Point Communications and Sip Communications, will provide opportunities to SCC as their complementary technologies will enable SCC to develop enhanced customer solutions. Our combined SCC and Rigby UK technology businesses now generate over £200m of annual services turnover, making the business a significant provider of IT services in the UK.

As a private business, with a strong financial position and short decision-making lines, we have been able to make significant investments in data centres and cloud platforms that our customers need from us, by ploughing profits back into the business. SCC has invested £50 million in the past four years on data centres and cloud platforms where we now have three major data centres and when current projects complete, we will have capacity of 3,000 racks.

SCC is a values-based business; built on stability, trust, technological competence and operational excellence and this has helped us to secure trusted partnerships with customers like The National Trust and British Airways, which have partnered with us for more than 20 years.

Our job to help our customers navigate through the complexities of the technological landscape and a key part of our strategy in delivering on this core objective is to support our 5,600 employees in the technology division in remaining at the top of their game, in understanding and integrating all those technologies to help our customers.

We invest heavily in the technical training but we also run training programmes in everything from basic health and safety through to people and communication skills, customer service, leadership, and development.

I am also proud that, despite our rapid growth, SCC has completed another year as a Carbon Zero business, our fourth in a row. I am committed to ensuring that SCC's operations remain not only sustainable, but also ethical, safe, professional, and community-minded too. As well as operating an environmentally responsible business SCC continues to support a wide range of CSR programmes, through partnerships with organisations such as Marie Curie Cancer Care, The Prince's Trust and Alzheimer's Society.

This is not only the right thing for the communities in which we do business, it is also central to our mission to continually motivate, challenge and engage the SCC workforce. We recently sent a number of employees to Kenya with Challenge Africa where they helped to make a difference to the children of Shikadabu Primary School. Another group of staff volunteered to sleep rough for a night during Byte Night to raise funds for Action for Children and we continue to sponsor an Internet Safety in Schools project to promote safe internet use to children.

SCC remains the largest independent technology solutions provider in Europe. What we have always been best at is serving our public sector and corporate clients with the tools they need to get the optimum performance from their technology and I believe we are investing in growing the right tools to ensure we remain at the forefront of technology solutions into the future.

James Rigby
SCC EMEA
Chief Executive

STRATEGIC REPORT (continued)

AIRPORTS – REGIONAL & CITY AIRPORTS

"Regional & City Airports' vision is to help smaller regional airports to prosper through effective management and collaboration - enabling them to benefit from the economies of scale and sharing of best practice traditionally enjoyed by larger hub airports."

Regional & City Airports ("RCA") is a highly innovative business which owns and operates regional airports, led by a team with proven commercial and operational expertise in both the airport and airline sectors. During the year ending 31 March 2016, RCA handled 171,000 flights and processed 1.6m passengers, through its ownership of Coventry Airport, Exeter International Airport and Norwich International Airport, as well as through the management of Blackpool Airport, City of Derry Airport and Solent Airport Daedalus.

Regional airports are vitally important to the economic development of regions in which they are located. RCA's vision is to help smaller regional airports to prosper through effective management and collaboration, enabling them to benefit from the economies of scale and sharing of best practice traditionally enjoyed by larger hub airports. RCA continues to actively seek additional growth opportunities and to promote the enormous social and economic benefits offered by regional airports in the UK.

RCA has built a reputation as an efficient, safe and capable operator, driving improvements to route development, commercial revenues, operating costs and capital investment in order to deliver a consistently sound commercial return. As RCA grows, it is increasingly able to leverage significant buying power and shared expertise. Already employing more than 600 people, RCA is a leading player in the regional airport sector and is taking advantage of the lack of capacity at major hub airports in the UK to demonstrate how regional airports can ease the strain.

KPI's (see definitions on page 28)

Continuing revenues - £34.5m
EBITDAE - £5.6m – 16.3% of turnover
PBT - £3.6m – 10.6% of turnover
Net assets - £36.4m
RONA - 10.0%

Key facts

1.6m passengers handled in year to March 2016
Connecting directly to over 60 destinations
126,000 air traffic movements managed
Over 1,500 acres of land managed
Over £62.0m of tangible fixed assets

STRATEGIC REPORT (continued)

AIRPORTS - REVIEW OF THE YEAR

Collectively, RCA's airports handled 1.6m passengers during the year ending March 2016.

Norwich International Airport delivered a 2% increase in passenger numbers to 477,000, compared to 466,000 for the year ending 31 March 2015. This growth was largely driven by increased helicopter flights providing transport services to the North Sea gas fields, cementing the airport's position as the UK's offshore transport hub for the southern North Sea. Shortly before the year end, Flybe commenced year round services to Alicante and Malaga, with winter flights to Chambery also announced for later in 2016. These flights, which return after a nine year gap, are expected to add a further 30,000 passengers in the coming financial year.

Exeter International Airport delivered at 3% increase in passenger numbers to 814,000, compared to 790,000 for the year ending 31 March 2015. This third year of sustained growth represented a significant milestone for the business, with passenger traffic surpassing the 800,000 level last reported in 2009. Notable contributors to this improvement included a new summer charter service to Rhodes and the continuation of the scheduled London City service which commenced October 2014 and operated throughout the financial year ending 31 March 2016.

Coventry Airport received £0.4m of wind farm compensation receipts compared to £1.6m during the prior year. The prior year receipts were treated as exceptional operating income.

Regional & City Airports plays a crucial role enabling the connectivity of people and businesses from the regions in which its airports are located. RCA's importance in this regard was underlined on 24th March when the first UK route to launch under the Government's Regional Air Connectivity Fund linked two of RCA's airports – Exeter and Norwich – with a daily flight operated by Flybe.

RCA's management division continued to deliver management services to three regional airports throughout the year, and successfully secured contract extensions for the continued operation and management of City of Derry Airport, Blackpool Airport and Solent Airport Daedalus during the year. Collectively these airports processed 326,000 passengers and handled 59,000 air traffic movements.

Total RCA group revenues were consistent year on year at £34.5m. EBITDAE improved by £1.5m (36.3%) to £5.6m.

STRATEGIC REPORT (continued)

HOTELS – EDEN HOTEL COLLECTION

"award winning small luxury hotel group"

Eden Hotel Collection ("EHC") does not operate as a big company, indeed it isn't, and the strength of our hotels is their individual nature and care and attention which comes from personal ownership and group of highly capable, dedicated professionals who care about their product, service and performance of the business. Whilst each property in the collection has its own unique character and personality, all uphold the impeccable standards of service, quality and attention to detail for which the Eden Hotel Collection is renowned.

EHC won the coveted accolade "AA Small Hotel Group of the Year 2014 - 2015", which recognises small hotel companies which have demonstrated an outstanding commitment to improve and develop their portfolio of hotels, while maintaining a high level of consistency throughout the group.

EHC currently owns or operates eight luxury hotels in the Midlands, the Cotswolds and South West:

- Bovey Castle Hotel - North Bovey in Devon - 60 bedrooms plus 22 three bedroom lodges
- Mallory Court - Leamington Spa in Warwickshire - 31 bedrooms
- Arden Hotel - Stratford-upon-Avon in Warwickshire - 45 bedrooms
- Arden House - Stratford-upon-Avon in Warwickshire - 10 bedrooms (opening Autumn 2016)
- Brockencote Hall - Chaddesley Corbett in Worcestershire - 21 bedrooms
- The Greenway Hotel & Spa - Shurdington in Cheltenham - 21 bedrooms
- The Mount Somerset Hotel & Spa - Taunton in Somerset - 19 bedrooms
- The Kings Hotel - Chipping Campden in Gloucestershire - 19 bedrooms
- Buckland Tout-Saints - Kingsbridge in Devon - 16 bedrooms

Membership consortia within the group include Relais & Châteaux, Small Luxury Hotels of the World, Pride of Britain Hotels, Classic British Hotels and Smith & Family Hotel Collection. These consortia have strict membership criteria, assuring that the highest standards are provided to our guests but importantly provide a valuable sales and marketing network in both national and international markets, principally through their online booking portals.

In May 2015, Brockencote Hall, which had been nominated in the Visit England: Awards for Excellence - Small Hotel of the Year category for three successive years, was awarded the Gold Award. Mallory Court took Bronze in the same category after being nominated for the very first time.

KPI's (see definitions on page 28)

Continuing revenues - £17.4m
EBITDA - £1.7m – 9.6% of turnover
PBT - £0.6m
Net assets - £33.4m
RONA - 1.7%

Key facts

242 bedrooms
22 three bedroom lodges
Over 67,000 room nights sold in year to March 2016
Over £49.7m of tangible fixed assets
Capex (including acquisitions) in 2016 of £4.7m
Current capex projects underway in excess of £6m
Capex committed for 2017 in excess of £7m

STRATEGIC REPORT (continued)

HOTELS - REVIEW OF THE YEAR

Following the group's acquisition of Bovey Castle back in June 2014, there has been significant investment in the property. EHC acquired the remaining 8 lodges in June 2015 from Exclusive Resorts, which sat outside the original transacted deal, giving full control of the resort's inventory which now sits at 60 bedrooms plus 22 three bedroom lodges.

In January 2015, the group embarked on a comprehensive ground floor refurbishment which was successfully completed inside a four month programme. Further to this, the Elan Spa was also refurbished and relaunched in June 2015. Works on the initial phase of bedroom refurbishment started in November 2015 and is now complete, as is a new greenkeepers' store. Further remedial works to the lodges are underway, as well as, works to staff accommodation, a second phase of bedroom refurbishments and ongoing repairs to the external of the building

EHC previously reported the development of a spa and additional bedrooms at Mallory Court. This project is well underway with practical completion expected in late December 2016 and a projected soft launch in the first quarter of 2017. Amenities will include a full service spa with extensive wet facilities, 8 treatment rooms, fitness studio and spa café. There will also be a further 12 guest bedrooms and suites taking the hotels inventory to 43 rooms. The total investment is expected to be circa £6.5m.

Planning permission has been granted for 14 additional rooms at The Greenway Hotel and a function/conference suite, spa and bedrooms at Brockencote Hall and the approval and timetable of these projects is currently under consideration by the group's board.

Following a strategic review of the hotel's positon and operations, the decision was taken to dispose of the Tides Reach Hotel, Salcombe in April 2016. A fair value gain of £1.0m has been recognised on the investment property as at 31 March 2016. The proceeds from the disposal will be redeployed elsewhere in the group's development budget.

Reputation management continues to dominate the hotels focus as the online portals and review sites influence over booking decisions more than ever. It is reported that +70% of buyers review at least one online review site before making their buying decision. The EHC group has an 'obsession' with exemplary customer service and believe this sets them apart from others in their competitor set. EHC are working with 3rd party providers ***TrustYou*** to support and co-manage their guest satisfaction surveys, online reviews (through sites such as Trip Advisor) as well as all social media platforms.

Significant investment is committed during the 2017 financial year for IT software improvements across the group. ***ADP***, an automated and self-service HR & payroll system went live mid-2016. ***Premier Spa*** will be introduced across all spa sites late summer 2016 and is a spa management package which will improve booking management, introduce an online booking portal and retail and membership mechanisms. The most significant project scheduled is a group wide financial software, ***Sage X3*** which will go live in late 2016 and will bring a number of benefits, such as improved purchasing visibility, integrated reporting and consolidation of our supplier payments.

With joint venture partners, the Royal Shakespeare Company, EHC purchased Caterham House Hotel in November 2015. This site is currently closed and under development with a relaunch scheduled for Autumn 2016. The site will provide a much needed additional 10 bedrooms in Stratford on Avon and will be run as an extension of the Arden Hotel. Arden House, as it will be known, will offer a very individual boutique offering in a 'home from home' setting dispensing with the formalities of normal hotel experiences.

The hotel sector is traditionally subject to high staff turnover and despite a culture of listening to our people, EHC is no exception to this rule. In a bid to reduce this turnover, EHC has placed an increased focus around staff welfare, training and retention with the introduction of measures such as a dedicated training and development manager, staff surveys and staff council forums.

STRATEGIC REPORT (continued)

HOTELS - REVIEW OF THE YEAR (continued)

The ***Elan Spa*** brand has been launched and brings together a more cohesive and recognisable identity for the group's spa operations. Marketing and the aforementioned IT investments will see the group's spa revenues grow to a projected £1.8m by 31 March 2018 within its current operations.

EHC's turnover increased by £2.3m (14.9%) to £17.4m during the year. We saw gains across all areas of the business, with the largest being a £1.6m gain in Bovey. The greater economic confidence in the early part of the year was certainly positive for the hotels, despite the market remaining highly competitive.

EBITDA on continuing operations, excluding the fair value gain on Tides Reach, increased by £0.2m to £0.6m, against a backdrop of an increasingly competitive staff market, the impact of auto-enrolment pension schemes and cost pressures.

STRATEGIC REPORT (continued)

AVIATION

"Our mission is to maintain and grow our reputation for operational excellence by developing the ways we deliver quality and reliability across our services"

Our Aviation operations comprise of three businesses, which collectively trade under the British International Helicopters ("BIH") and Capital Aviation brands:

- British International Helicopter Services ("BIHS")
- BIH Onshore ("BIH(O)")
- Capital Air Ambulance ("Capital")

BIH has a fleet of 12 helicopters and employs 80 personnel. Our business operates from bases at Coventry, Newquay and Mount Pleasant (Falkland Islands). Our mission is to maintain and grow our reputation for operational excellence by developing the ways we deliver quality and reliability across services. This operational delivery is underpinned by a safety culture which flows through every aspect of the business.

BIHS is the defence and offshore division of BIH, which has a number of military contracts, including the Flag Officers' Sea Training (FOST) contract, which provides helicopter support to the UK and NATO navies as they operate off the south coast of the UK. In addition, BIHS operates from Mount Pleasant to support military operations in the Falkland Islands, including the provision of search and rescue services.

BIH(O) has 3 revenue streams: helicopter and fixed wing maintenance, A to B charter activities, and utility services.

Capital operates 11 fixed wing aircraft from its bases in Exeter and Coventry, which it utilises across 2 revenue streams: VIP A to B charter and Air Medical Services. The company has a number of air ambulance contracts and also provides repatriation medical assistance to all the large medical assistance companies across Europe.

Combined KPI's (see definitions on page 28)

Continuing revenues - £16.1m
EBITDAE - £0.7m - 4.4% of turnover
Loss Before Tax - £1.6m
RONA - -11.1%

Key facts

12 helicopters
Fleet includes Sikorsky S61's, Eurocopter AS365's
11 fixed wing aircraft
Net assets - £14.8m Fleet includes Citation XLS+, King Airs and Chieftains
£25.3m of tangible fixed assets

STRATEGIC REPORT (continued)

AVIATION - REVIEW OF THE YEAR

The business is on track with its strategy to restructure and refocus on profitable helicopter managed services where the revenues are underpinned by long term contracts.

In January 2015, AAR Airlift ("AAR") together with BIH and Air Rescue Services ("ARS") were awarded a contract to provide combined Search and Rescue ("SAR") and Support Helicopter contract services to the British Forces South Atlantic Islands (BFSAI) operations. The program includes Augusta Westland AW-189 SAR helicopters, Sikorsky S-61 support helicopters, flight operations, maintenance, logistics, and facilities support at the Mount Pleasant Complex in the Falkland Islands and surrounding maritime region. The 10-year contract is valued at approximately £180m.

The service includes all-weather SAR, helicopter emergency medical services, rescue hoist operations, passenger and cargo transfers and night vision imaging services. The award of the SAR and Support contract has increased BIHS' credibility in this market, and its ability to win similar contracts in other countries across Europe.

The new Falklands contract commenced as scheduled on 1st April 2016 and made BIH the world's first SAR operator on an AW189 aircraft.

In August 2014, the division completed the acquisition of 80% of Capital Air Charter. Operating both the Air Charter and Air Ambulance services, Capital has a long-standing reputation as an efficient, safe and commercially-capable operator offering executive corporate and private chartered flights, medical repatriation and urgent freight services throughout Europe.

Since the acquisition, we have added a further Cessna Citation XLS+ to the Capital fleet which will be used to develop the VIP Charter offering together with a Lear 45 jet which has been deployed as an air ambulance, to enable Capital to access a global market for its medical repatriation services. Capital has now been rebranded to Capital Air Ambulance and successfully positioned to grow European Market share in repatriation services, building on its UK Market Leadership.

The general aviation market still has not recovered from the 2008 recession, and there has been a structural change in the market place, with opportunities for helicopter pilots reducing due to the well-publicised issues with offshore oil and gas. This has reduced the market for training. The A to B helicopter charter market has not recovered due to the luxury nature of the offering. The reduction in helicopter flying, along with an increase in sales of helicopters to the overseas markets has had an adverse impact on the maintenance market.

During the year, BIH(O) took the strategic decision to develop the contract flying element of services, in parallel with a series of structural reorganisations. This plan is now well established following the relocation from our Redhill lease to our facility at Coventry Airport in March 2016.

Total revenues for the year were £16.1m, an increase of £2.5m (18.4%). Revenues are expected to increase substantially in the future, primarily due to the Falkland Island's SAR and Support contract, which commenced on 1st April 2016.

EBITDAE improved by £0.2m from £0.5m to £0.7m.

Loss before tax was £1.6m, an improvement of £2.1m over the loss generated in the year to 31 March 2015.

STRATEGIC REPORT (continued)

REAL ESTATE

"Rigby & Rigby is a name synonymous with attention to detail, quality and bespoke design"

The real estate division comprises of the following businesses:

- Coventry & Warwickshire Development Partnership
- Ostrava Properties
- Rigby & Rigby
- Howes & Rigby

Commercial property

The group's current commercial property developments are undertaken via Coventry & Warwickshire Development Partnership ("CWDP"), a joint venture between the group and Roxhill Developments, and via Ostrava Properties.

CWDP propose to develop the Coventry Gateway business park on 250 acres surrounding Coventry Airport to include warehouses, office and retail units.

Ostrava Properties plans to redevelop the former passenger facilities at Coventry Airport to create up to 600 jobs via the creation of Imperial Park CV3, a modern manufacturing and distribution hub covering 30 acres.

There are further commercial development opportunities being considered around Exeter and Norwich airports.

Rigby & Rigby

As one of London's leading developers of prime residential property, both for resale and for our private clients, every home Rigby and Rigby creates is individual and unique. Our name is synonymous with quality, bespoke design and attention to detail.

From the restoration of elegant townhouses and stylish apartments in the capital's most exclusive addresses, to less conventional projects including the conversion of an historic Knightsbridge church and the renovation of a boutique 45-bedroom country house hotel; each project is defined by originality of design, cutting-edge technology and striking interiors. Rigby & Rigby offer a comprehensive service from conception to completion, including Development, Development Management, Architecture, Private Client Work, Interior Design (Through Howes & Rigby our joint venture with Taylor Howes Designs Limited) Construction and our recently appointed - Private Client Services which covers Service and Maintenance contracts for projects that Rigby & Rigby have completed.

Howes & Rigby

Howes & Rigby is a collaboration which combines Rigby & Rigby's award winning reputation as one of London's leading developers of prime residential property with Taylor Howes' talent and expertise and dedication to creating stunning interiors.

Our partnership with Taylor Howes enables us to offer clients great depth and breadth of talent, with the ability to produce highly creative scheme proposals of exceptional quality and originality and oversee every step of the property development process for our clients, from acquisition and planning to design and then build. The partnership realises the importance of programme in developing Super Prime London property and through this joint venture partnership we have been able to save our private clients, time, energy and both while providing financial betterment.

In 2013, Howes & Rigby won the design et al International Design and Architecture Award for Residential Property (£20m+) for the stunning St Saviours House, an 11,000 ft^2 redevelopment of a former church in Knightsbridge into an opulent boutique hotel-style home.

KPI's (see definitions on page 28)

Continuing revenues - £15.4m
EBITDAE - £12.6m – 81.8% of turnover
PBT - £12.1m
Net assets - £16.1m
RONA - 75.0%

Key facts

3 owned London projects under redevelopment
1 London investment property
40 prime London developments completed to date
Over 400 acres commercial development opportunities
Award winning design
£31.6m of London property owned at 31 March 2016
£17.5m of commercial work in progress

STRATEGIC REPORT (continued)

REAL ESTATE - REVIEW OF THE YEAR

Commercial

During the last 12 months, division has focused its initial commercial development activities upon the group's existing airport assets at Exeter, Coventry and Norwich, which combined offer potentially (net) 160 acres of prime, strategic sites, located near to, or adjacent major arterial routes and regional motorway networks.

The division has finalised and launched its development brand, "Imperial Park", which will be used to market all new commercial development.

Signalling the division's development aspirations and notable arrival into the competitive commercial market, via its Special Purpose Vehicle (SPV), Ostrava Property Limited ("Ostrava"), the division has successfully negotiated and exchanged contracts on a £50.6m Forward Funding and development transaction within the "Golden Triangle" at Coventry Airport, with one of the long term live Funds of a top UK Pension Fund. The client is the UK's second biggest pension fund and a leading forward funding financial institution in the new build commercial market. The transaction will entail Ostrava selling the land holding to the client and subsequently redeveloping the former 30 acre passenger terminal and car parks. The new, state of the art, regional distribution park will extend to 575,000ft^2 in three detached, self-contained buildings and is scheduled for completion early Spring 2017. Ostrava has already secured outline and reserved matters planning consents for the scheme and appointed a national lead contractor to undertake the build.

As at 31 March 2016, the group have recognised a fair value gain of £12.3m on the Imperial Park land, which was sold to the pension fund in September 2016.

The division, with partners Roxhill Developments, has also secured Outline Planning consent for Jaguar Land Rover to develop a new 25 acre headquarter campus to the north of Coventry Airport, with the site expected to include Research and Development facilities, a hotel and a premier car dealership.

At Norwich Airport, the division is considering opportunities for aviation and associated developments, situated adjacent to Norwich City's new northern relief road - a substantial transport link scheduled for completion during the Autumn of 2017. The division has submitted an outline planning application to secure existing consents and the relocation of an access directly onto the new relief road, and are currently finalising a development brief and scheme design in readiness for formal marketing. The division is already in discussions with potential occupiers highlighting the strength of the location and group's ability to deliver another multi-million pound development opportunity.

Residential

Rigby & Rigby ("R&R") celebrates the joint milestone event of 10 years in business and 100 projects this year. The 100th project has now started on site and is due for completion for Winter 2017. This is a key project which has a number of complex elements and is being documented via our website journal for the wider audience.

R&R generated revenues of £18.4m and EBITDA of £1.1m (a decrease of £0.2m). During the financial year, the increase in revenue was primarily due to the sale of a development property held for resale for £4.1m, and the number of projects that have been undertaken. Rigby & Rigby delivered over 12 key projects for clients and the increased activity contributed directly to profitability.

R&R worked on 3 key developments on group owned development properties in Mayfair, which have been received well and are highly regarded in the market place. Two of these developments are now for sale with recognised international estate agents in Mayfair, with the third expected to be completed in early Autumn 2016.

R&R has managed the acquisition of a £20m development site in Knightsbridge for an international client and completed several key developments in Knightsbridge, Mayfair and Kensington, most noticeably in the award winning One Kensington designed by David Chipperfield Architects. These high profile projects have contributed to R&R's increased visibility and recognition in the market place and have therefore contributed to securing new business opportunities and contracts which translate into a positive order book over the next 18 months.

STRATEGIC REPORT (continued)

REAL ESTATE - REVIEW OF THE YEAR (continued)

Residential (continued)

The R&R Architecture Studio continues to deliver impressive and important planning consents and is receiving recognition in its own right from within the industry. This component of R&R generated in excess of £1m revenue in 2016.

The Private Client Services also has seen a positive launch to the market place with 6 key contracts already in place and a further 2 pending. This service seems to be popular with our client base and will form a key additional component to the business in the coming year.

Rigby & Rigby now offers a wider range of diverse services, but is still positioned as a top 3 super prime developer in London.

STRATEGIC REPORT (continued)

FINANCIAL SERVICES

Rigby Group's financial services interests comprise:

- a private equity business Rigby Private Equity (RPE);
- a technology investment management vehicle, Rigby Technology Investments (RTI);
- a technology finance leasing business; Rigby Capital; and
- investments in cash and structured products held by the ultimate holding company.

Rigby Private Equity

Rigby Private Equity (RPE) is a technology-led, private equity group focused on majority investments to drive growth for existing and group management and shareholders. The first investment has been the newly created Nuvias Group, the holding company for a pan-EMEA high value distribution business. Nuvias Group's recent major acquisitions include Wick Hill, an established leader in high value distribution and specialist services distributor Zycko Group Ltd, which together generate £200m of revenue p.a. The plan is to drive Nuvias Group to £500m of annual revenue by 2021.

Rigby Technology Investments

Rigby Technology Investments (RTI) was incorporated in September 2015 to manage a series of investments for the group by which RTI could facilitate the incubation and high growth strategies of specialist technology businesses that complement the Rigby Group's technology division. RTI is focused on the communications and connectivity sector in recognition of the convergence trend with IT and in recognition of the growing focus within SCC of services and annuity streams.

RTI manages Fluidata, a data network business, in which the group controlled 51% throughout the period; SIP Communications, a unified communications and telecoms provider where a 25% holding was secured in October 2015; and One Point Telecom, a mobile services provider where a 60% controlling investment was secured in December 2015.

Rigby Capital

Rigby Capital is a specialist, standalone technology financial services business, aligned to work with companies within the group, such as SCC. Its purpose is to provide innovative funding solutions, including leasing, to technology related projects, including Cloud based solutions, with end customers introduced either via SCC, directly or through partnerships with other third party vendors. Rigby Capital offers a range of IT asset financing services to help clients invest in business-critical technology – both software and hardware – without utilising capital reserves or existing debt facilities. New to the market, but with an experienced team at the helm, Rigby Capital is responsive and agile – tailoring technology finance solutions to meet individual customer requirements and maximising their return on investment.

Investments

Our investment activities are undertaken by the ultimate parent company, which held current asset investments of £44.3m (2015 - £59.0m) at the year end. These include investments in equities, fixed income and commodities through a portfolio of banking partners.

KPI's (see definitions on page 28)

Continuing revenues - £173.9m
EBITDAE - £6.5m – 3.7% of turnover
Net assets - £55.4m

Key facts

£44.3m of current asset investments
RPE serving 40 vendors

RPE offices in the UK, Germany, France, Spain, Italy, Belgium, Norway, Sweden, Poland, Austria and Dubai

STRATEGIC REPORT (continued)

FINANCIAL SERVICES – REVIEW OF THE YEAR

Rigby Private Equity

Through Nuvias Group, RPE is building an EMEA-wide, high-value, specialist distribution business, with a common proposition and consistent delivery. The strategy is to redefine value distribution to the channel, enabling the channel and vendor community to deliver exceptional business value to their customers and creating new standards of channel success.

Nuvias will provide a consistent quality of service, with best-in-class technologies, giving reseller partners local access to the best international services and solutions. Local expertise is backed up by a consistent operating platform, offering the highest level of value-added services and flexibility. For vendor partners and solution providers, Nuvias will deliver accelerated growth at all stages of the business and product growth lifecycle, enabling rapid expansion throughout EMEA.

Zycko and Wick Hill form the foundations of Nuvias, a new type of international distribution company to meet the evolving demands of the channel. Nuvias is already serving 40 vendors and 5,000 resellers in thirteen countries. Moving forward, the strategy is to cover all major territories in EMEA, offering a common value proposition, consistently executed which will give any vendor or reseller best in class distribution services, no matter in which country.

Wick Hill, acquired in July 2015, and Zycko Group, acquired in December 2015, were the first acquisitions and now are the first high value, specialist distributors in Nuvias Group. Both companies have strong brands, with an exceptional reputation and a commitment to excellence. They both provide high value added services, with best-of-breed solutions that give channel partners good margins and consultancy opportunities. These philosophies and values are also core to Nuvias and will be fundamental as Nuvias continues to grow.

Today, the Nuvias product portfolio encompasses networking, infrastructure, security, communications, storage, continuity, recovery, access, performance, monitoring and management. Recently, Nuvias became a pan-EMEA distributor for vendors Unitrends and Malwarebytes. In January 2015, the first joint Wick Hill and Zycko office was opened in Vienna, Austria.

The Nuvias Group has been a successful addition to RPE, contributing £133.0m of the group’s turnover, and £4.7m of the group’s EBITDAE for the year to 31 March 2016. The turnover and profitability is expected to increase significantly during the forthcoming financial year.

Rigby Technology Investments

During the period to 31 March 2016, RTI was focused on investment selection and acquisition completion as well as clear strategic planning with emphasis on supporting and embedding management and the businesses into the group. The year to 31 March 2017 will be focused on proposition development, scaled investment in service delivery and sales development, best practice sharing providing a foundation for high growth via multiple routes to market with strong emphasis on the partner channel and SCC.

RTI’s proposition development is focused on Cloud, Data and Voice with integrated mobile, hosted PBX and SIP propositions utilising common shared service infrastructures within the RTI businesses as well as SCC resources via SCC’s data centres and SCC’s European shared services centre in Romania and SCC’s global development centre in Vietnam. The commercial model is focused on quality recurring revenues, lengthening multi-year contracts and cross selling across RTI and SCC.

RTI is pursuing a five tiered strategy:-

- To pursue a high growth organic and acquisition roadmap with the aim to double the scale of the current RTI businesses within 3 years through service differentiation, innovation and compelling commercial value to customers.
- To introduce RTI businesses into SCC, which has a material IT customer base and thus introduce new products and services as standalone or layered propositions as well as seamlessly service delivery via SCC for the provision of such services.

STRATEGIC REPORT (continued)

FINANCIAL SERVICES – REVIEW OF THE YEAR (continued)

Rigby Technology Investments (continued)

- To build upon an already strong foundation, a partner channel strategy to efficiently access the SMB segment.
- To develop a shared services platform to drive economies of scale, simplification and enable service delivery excellence and differentiation within the market place.
- To secure 100% control of the investments within the short to medium term based at acquisition prices reflective of the performance of the businesses individual achievements in delivering upon the agreed strategic objectives.

During the year, the RTI businesses generated £19.3m of the group's revenues and generated £1.7m of the group's EBITDAE.

Rigby Capital

The year to 31 March 2016 was Rigby Capital's first full year of trading after an initial period of market evaluation, business planning and recruiting. Rigby Capital generated a profit of less than £0.1m in the year, having made a loss of £0.4m in the prior year which comprised mainly of initial set up costs. The business was launched in the UK in April 2015, with the first transaction being executed in June 2015 and therefore the financial performance is reflective of 10 months of trading activity.

Rigby Capital's recruitment of a specialist team of technology and financial service skilled personnel has been core to the strategy of pursuing an organic growth path. The focus has been to ensure the core processes in supporting key products such as finance lease and operating lease are robust, whilst ensuring that innovative product design can continue to support complex managed service and cloud based solutions for customers that involve inherent large capital funding requirement within such a service.

Rigby Capital works alongside, shares best practice and collaborates (when commercially viable) with a sister company based in France, which is called Rigby Capital SAS and which is part of the technology division. Rigby Capital SAS has 14 years of trading history and leasing activations are in excess of £75m p.a. With aspirations to achieve similar levels within the UK over the medium term, the group aims to achieve an aggregated £150m p.a. leasing activation level within technology financial services via the Rigby Capital brand.

The business is organised to work with SCC, vendors and new partners to achieve a balanced portfolio of business flow.

Rigby Capital has access to £22.5m of funding facilities, which include seed capital of £5m; bank facilities of up to £2.5m for short term working capital requirements; and formal facilities from the group funds of up to £15m in which to hold for short and medium term periods.

Rigby Capital has developed a panel of funders, which is continually reviewed, to complement its own funding capability in which to refinance arrangements and sell future receivable streams at commercial rates. This flexibility and blended funding solution allows options and timing to be evaluated to maximise returns relative to risk.

The business achieved £21m of lease activations in the 10 months trading within the year to 31 March 2016. The business pipeline entering into the year ending 31 March 2017 is in excess of £120m leasing value.

STRATEGIC REPORT (continued)

FINANCIAL SERVICES – REVIEW OF THE YEAR (continued)

Investments

The sharp decrease in stock market indices around the world during the year is well publicised, and the group's investment business was not isolated from the market turbulence.

The investment portfolio incurred a loss before tax of £4.0m, compared to a profit of £6.1m generated in the prior year, a swing of over £10.1m between the two financial years.

The loss included mark to market losses of £4.3m (2015 - £0.5m), gains on the disposal of investments of £0.2m (2015 - £4.8m), charges paid of £0.4m (2015 - £0.5m), foreign exchange gains on current asset investments of £0.2m (2015 - £1.2m) and investment income of £0.4m (2015 - £1.1m) including dividends and interest coupons on structured products.

We have seen stock market performance increase subsequent to the year end, and the group believes that the losses recorded during the 2016 financial year will be recovered during 2017 and 2018. The group continues to adopt a prudent investment strategy, and continues to strengthen the governance around its investment selection and management strategy.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The senior management team of each division of the group are responsible for reviewing risk and the effectiveness of mitigating internal control systems in place within the companies they manage. These risks and controls are reported to the group board of directors where the nature and significance of identified risks and controls are assessed. Risks are reassessed in response to changes in the environment in which the group and its subsidiaries operate.

The board has established and reviews periodically the group's risk appetite, which is set to balance opportunities for new business development in areas of potentially higher risk whilst maintaining customer satisfaction and protecting the group's reputation. The risk appetite is consistent with maintaining a strong framework of ethical behaviour and compliance with laws and legislation.

The risk identification and assessment process is integrated with the strategic planning process. The board establishes the strategic objectives of the group, and then consider the barriers to achieving the strategic objectives, and in turn, assess the level of risk in the context of the group's defined risk appetite.

The principal risks are subject to robust challenge by the board and on the effectiveness of mitigating controls and actions. A group wide insurance program is maintained to further reduce risks facing the group.

The group companies operate in a number of markets, with a different profile of risks facing each division. The principal risks in each division are set out below.

Brexit

It is too early to evaluate the impact on the group of the UK referendum on EU membership. The group's trading companies operate within their own territories with minimal cross border sales which could be impacted by the UK's exit from the EU. A well-diversified customer and supplier base, together with agile management teams within the divisions will support the group through the expected market volatility.

Group financial risks

The group's sales are primarily made in sterling and euros and the associated costs relating to this revenue are substantially in the corresponding currency. Where there is any currency risk, the group's treasury function takes out appropriate contracts to manage these exposures. The group is also exposed to financial risk through its financial assets and liabilities. The key financial risk is that proceeds from financial assets are insufficient to fund obligations from liabilities as they fall due. The most important components of financial risk are from interest rates, currency movements, credit, liquidity, funding, cash flow and price. Due to the nature of the group's business, the only group wide financial risks the directors consider relevant are credit, liquidity and funding risk.

These are mitigated as follows:

Credit risk
The group's principal financial assets are cash and trade debtors. The credit risk associated with cash balances is limited as the counter parties have high credit ratings assigned by international credit - rating agencies.
The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit control function and operational teams on a regular basis in conjunction with debt ageing and collection history, and are set in line with the customer's profile of credit worthiness, the business needs and nature of engagement. Credit insurance is maintained with leading global insurance partners for a significant proportion of our customer base in the technology and financial services divisions. Current levels of customer concentration and risk are considered by the directors to be acceptable.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Group financial risks (continued)

Liquidity and funding risk
Liquidity is managed through efficient operational cash management processes, supplemented by short term and rolling 12-month cash forecasts. Cash management is undertaken at a local level within division on a coordinated basis with head office.

Where required, local working capital requirements are supported by external overdraft and facilities secured over trade receivables, such as invoice discounting facilities. These credit lines provide additional headroom during intra-month and seasonal peak periods. In addition, divisional cash requirements are supplemented with inter-company lending facilities. This allows the group to improve cash efficiency and reduce interest costs.

Further, the group operates cash pooling structures in the Technology, Hotels, Airports and Aviation divisions. This reduces the administration and complexity of daily cash management in multiple entity divisions.

During the course of 2016, a Treasury Management System with SWIFT reporting functionality is being implemented. This will enable live cash balance reporting across the group's entire global bank network (which comprises of circa 30 banks).

Where appropriate, governance is strengthened through the use of treasury compliance policies which continue to evolve as the group expands. Counterparty risk is closely monitored on the group's institutional markets data and trading platform, Bloomberg Professional Services. This risk is considered when selecting all funding and investment partners.

Long standing banking relationships are in place, notably with HSBC, RBS, Lloyds and Barclays in the UK, and Société Générale, Credit Industriel et Commercial SA (CIC) and BNP Paribas in France.

The group's principal sources of external funding are set out in note 22 to the financial statements.

The group has significant cash resources. Net cash at 31 March 2016 was £62.1m (2015 - £113.0m), including £44.3m (2015 - £59.0m) of current asset investments, which is available to manage group financing requirements resulting from working capital fluctuations.

Technology division

The principal commercial risks in the technology division centre on the availability and resilience of systems, its employees, its cost base, technology change and long term contracts.

The division benefits from a number of long standing relationships with many substantial suppliers and customers. All these relationships are the focus of significant management attention at all levels of the organisation to maximise opportunities and minimise any adverse impact on the financial performance of the group.

The division mitigates against the risk of failure to deliver against contractual commitments for its services contracts by having stringent contract acceptance procedures, adopting service best practice on all contracts, and monitoring contract performance on a regular basis.

The division continues to invest in new systems, and has stringent system monitoring and recovery procedures to reduce the impact of any outages of customer facing systems.

The division adopts employee retention initiatives to maintain the right calibre of staff in all departments.

The division employs a range of metrics on a regular basis to ensure it manages its cost base and take advantage of productivity and cost reduction opportunities.

The division actively monitors technology changes in the market, and consider the impact on its service offerings.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Airports division

The principal commercial risks in the airport division centre on security, health and safety, change management, investment, environmental compliance and regulation, changes in government policy and changes in demand.

Security
The division ranks the security of customers and staff as one of the most important operational risks that the division has to manage. The division has continued to invest in security equipment and technology and closely monitors the performance of the internal staff and external contractor that fulfil the security provisions at the airports. Close co-operation is maintained with government agencies and the police to ensure that the security regime is responsive to changes in external threats as they arise.

Health and safety
The health and safety of customers and staff is a key operational risk for the division to manage. The assessment of health and safety risks is embedded into daily management routines and is monitored by a structure which provides regular health and safety reports that are reviewed regularly by the division's board.

Change management
The regional aviation industry has undergone significant change. The establishment of the low cost model has forced traditional tour operators and legacy scheduled carriers to consolidate their activities. The management of the shift in emphasis in the aviation industry presents a key risk to the business. The division's strategy in this environment is to diversify, building a portfolio of scheduled and charter routes by identifying the most appropriate airline or tour operator for each opportunity, allowing margin to be maximised. Focus on the offshore oil and gas transport industry, general and business aviation and property also further diversifies the business model.

Investment
Investment in infrastructure is a key requirement of a regional airport. The division's ability to correctly assess the investment required both to maintain and keep pace with operational requirements and for commercial development, and to obtain an appropriate rate of return on that investment, is a key risk.

Environmental compliance and regulation
The aviation industry remains in the spotlight in the drive towards a cleaner environment and more sustainable global consumption. At the same time aviation is an essential component of the global economy. This situation creates a number of challenges, particularly around noise and climate change. Increased restrictions in respect of noise and pollution potentially place limitations on future growth. With both emissions trading and technological improvements, the division's board believes the industry can be both greener and still support growth. Insofar as the rate and cost to the aviation industry of environmental compliance exceeds current expectations, there is a risk that the growth rates forecast for regional airports and the future investment returns may not be achieved.

Changes in government policy
The division's operations are exposed to changes in government policy, which could lead to the necessity to react to changes in legislation with limited advance warning. The division mitigates this risk by maintaining effective working relationships with public institutions coupled with sufficient available funding facilities.

Changes in demand
The aviation industry has is susceptible to fluctuations in demand as a result of changes in the economic climate and perceived risk associated with terrorism, either a heightened general risk or risks associated with a specific destination. The division mitigates this risk by the application of prudent financial controls, the gathering of business intelligence and contingency planning. Short-term and dramatic changes in demand would clearly contribute a significant risk to the division's business. The combined effect of the division's mitigating actions is to make the division capable of a more flexible response in the event of business interruption.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Hotel division

The principal commercial risks in the hotel division centre on economic conditions, competition and property valuations.

Economic conditions
The division operates in an industry which is impacted by consumer spending levels. The division's coverage, not being concentrated in one location or region together with the fact that the hotels operate in a variety of markets, including corporate, leisure, conference and functions, provides adequate sheltering from the impact of any drop in consumer spending levels. The division is continually investing in refurbishing its portfolio to maintain hotels to the highest standard to retain the support of a loyal client base.

Competition
The division operates in competitive markets. Product and service offerings by competitors could adversely impact the division. The division's focus on quality and standards, the quality of operations, strong focus on quality on cost control, continual investment in its hotels and products, combined with the unique, award winning hotels in sought after locations reduces the possible effect of any single competitor. Significant efforts are made to develop the division's brand and ensure new business is won continually, and key customer relationships are monitored on a regular basis. The division focuses on areas where it has a competitive advantage including quality, and the development of its staff to provide high levels of service.

Property valuations
Property values are cyclical, accordingly the business will be subject to variations in valuations. The division takes a long term view, with less focus on short term fluctuations, and more emphasis on the underlying revenue generation and capital enhancement programmes when assessing valuations of properties.

Aviation division

The principal commercial risks in the aviation division centre on safety, aircraft inactivity and market risk.

Safety
The division considers the safety of its passengers and personnel as key, and monitors industry standards vigilantly for any changes relating to its aircraft and fleet or procedures. It ensures maintenance is carried out to the highest possible standards on a regular basis by qualified personnel. Staff training and performance is carefully monitored to ensure that the highest possible standards are maintained.

Aircraft inactivity
The largest rotary aircraft owned by the division are fully utilised on the Ministry of Defence contracts. Where demand from the Ministry of Defence is low, there is a risk of loss of income. The division mitigates this risk through undertaking maintenance during periods of low demand, thereby increasing the availability of aircraft when demand increases. Utilisation of the other aircraft owned by the division is dependent upon market conditions.

Market risk
The aviation industry is highly cyclical, being extremely sensitive to the economic cycle. Demand for flying reduces during times of economic hardship, which also results in reduced maintenance for third party aircraft. The division mitigates these risks by seeking to reduce its cost base when demand for its services falls, and by seeking opportunities in alternative markets.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Real Estate division

The principal commercial risk is the real estate diversion centre relating to residential property markets and their volatility.

Residential property
The economic state of the residential property market is a continuing risk; with the UK now voting through the referendum to leave the EU and the political instability that has followed, we await the outcome for the Super Prime London Market.

The division has always operated in the higher echelon of the luxury and most exclusive part of the market in the UK (operating in Kensington, Knightsbridge and Mayfair), dealing with Ultra high net worth individuals and businesses, which reduces the division's exposure to this risk.

The London residential market, particularly amongst the Ultra high net worth individuals, retains its global appeal, despite the uncertainty associated with the recent decision to exit the European Union.

Financial Services Division

The principal risks in the Financial Services division relate to the integration of recently acquired businesses, the provision of appropriate resources to support growth, the retention of key management and the development of key supplier relationships to ensure acquisition objectives are achieved.

Key Management
The group board works closely with senior management ensuring that they are appropriately remunerated and motivated to implement group's objectives.

Integration into the Group
Detailed plans are in place, and communicated to senior management, to integrate acquired businesses into the group and achieve the group's objectives. Investment into appropriate infrastructure and systems, to facilitate reporting and to accommodate anticipated business growth, is a particular focus of the detailed planning.

Supplier Relations
Senior management work closely with key suppliers and other key stakeholders to ensure that the group's plans are understood to ensure the roll out of the plan is co-ordinated, particularly when this involves geographic expansion.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

The directors review summarised management information relating to group performance on a regular basis and receive detailed management reports and accounts from key subsidiary companies monthly. Performance is monitored through a number of Key Performance Indicators (KPI's) which are integral to the review process. Monthly management information compares performance for the month and year to date against performance in the comparable period in the previous financial year and against the budget set for the current financial year.

The financial KPI's that form part of this review process are turnover growth, gross profit percentage, overhead costs as a percentage of sales and pre-tax return on sales. Working capital measurement, at a subsidiary level, includes inventory days, trade receivable days sales outstanding, overdue trade receivables and trade payable days.

At a group level, the principal non-financial measure is turnover per employee. Other non-financial measures at subsidiary level include employee headcount, employee turnover and a number of operational KPI's in relation to the company's performance in respect of contractual arrangements with both customers and suppliers. Each division operates in different market segments and monitor KPI's relevant to their markets.

The table below sets out the key group KPI's:

KPI	**2016**	**2015**
Turnover growth (decline) [1]	10.8%	(5.2)%
Gross profit percentage[2]	14.4%	13.9%
Operating costs percentage[3]	12.5%	12.8%
Return on turnover[4]	1.3%	1.3%
Turnover per employee (£'000)[5]	250.2	262.6
RONA[6]	7.9%	7.0%
EBITDA (£'m) [7]	53.9	34.8
EBITDAE (£'m)[8]	53.9	34.5
PBT (£'m)[9]	22.3	18.1

1 Turnover growth (decline) measures the change in turnover from continuing operations.

2 Gross profit percentage is defined as gross profit from continuing operations expressed as a percentage of turnover from continuing operations.

3 Operating costs percentage is defined as operating expenses of continuing operations excluding exceptional items expressed as a percentage of turnover from continuing operations.

4 Return on turnover is defined as the profit before taxation and exceptional items from continuing operations expressed as a percentage of turnover from continuing operations.

5 Turnover per employee is defined as total turnover divided by the total average number of employees throughout the year.

6 Return on Net Assets is defined as total net profit before taxation as a percentage of net assets at the year end.

7 Earnings Before Interest, Taxation, Depreciation, Amortisation for the total continuing and discontinued operations. EBITDA includes share of Joint Ventures' and Associates' operating profit.

8 Earnings Before Interest, Taxation, Depreciation, Amortisation and Exceptional items for the total continuing and discontinued operations. EBITDAE includes share of Joint Ventures' and Associates' operating profit

9 Profit Before Taxation for the total continuing and discontinued operations

FINANCIAL REVIEW

FRS102

This is the first year that the group has presented its consolidated financial statements under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014.

The prior year comparative financial information has been restated for material adjustments on adoption of FRS 102 in the current year. The profit before tax for the year ended 31 March 2015 has increased by £2.2m from £15.9m to £18.1m. The net assets as at 31 March 2015 decreased by £2.0m from £259.2m to £257.2m.

Further information on the impact of FRS102 is included at note 34.

Results

The consolidated profit and loss account of the group is set out on page 39.

The group had a positive year with turnover from continuing operations increasing by £173.8m (10.8%) to £1,785.5m (2015 - £1,611.7m). The increase includes £152.2m generated from businesses acquired during the year and £21.6m generated by Rigby Capital in the UK, which started operations during the year.

The operating profit for the continuing group, before exceptional operating income of £Nil (2015 - £0.2m), was £32.4m (2015 - £14.7m). This includes operating profit of £3.4m generated by businesses acquired during the year. The operating profit also includes fair value gains of £13.0m (2015 - £0.5m) arising on investment properties. All trading divisions saw an improvement in operating profit before exceptional items.

The profit, before taxation and exceptional items, for the continuing group was £22.9m (2015 - £21.2m), an increase of £1.7m. The improvement in the operating performance in all trading divisions was negated by the deterioration in the performance of the current asset investment portfolio, which incurred a loss of £4.0m in the year, compared to a profit of £6.1m generated in the prior year.

The discontinued operations in 2016 relate to SCD SA in Morocco, and the prior year includes SCC Services BV and Rigby Group BV in The Netherlands.

The operations of SCD SA were terminated in July 2015, and the group is currently collecting residual assets and settling residual liabilities. The disposal of SCC Services BV was completed in June 2014, and Rigby Group BV disposed of its remaining operating assets in December 2015. The discontinued operations generated turnover of £2.0m (2015 - £15.8m) and incurred an operating loss of £0.4m (2015 - £3.1m). The loss before taxation attributable to discontinued operations was £0.5m (2015 - £3.1m). With disposal of SCC Services BV and the closure of SCD SA, the technology division has removed all of its loss making operations.

The group has continued the strategic review of its aviation businesses, which generated operating losses of £1.3m (2015 - £3.6m), including a goodwill amortisation charge of £0.4m (2015 - £1.7m), during the year. The division's performance will improve with effect from 1 April 2016, with the commencement of the contract with AAR Airlift and Air Rescue Systems (ARS) to provide a combined SAR and Support Helicopter service to the British Forces South Atlantic Islands (BFSAI) operations in the Falklands.

Total group profit before tax increased by £4.2m from £18.1m to £22.3m: total operating profits increased by £17.3m; the group's share of joint ventures and associate's profit reduced by £0.3m; and there was a deterioration in net finance costs of £12.7m.

The EBITDAE (Earnings Before Interest, Taxation, Depreciation, Amortisation and Exceptional costs) was £54.4m (2015 - £36.8m) for the continuing group, and £53.9m (2015 - £34.5m) for the entire group.

STRATEGIC REPORT (continued)

FINANCE REVIEW (continued)

Financial position

The consolidated balance sheet of the group is set out on page 41.

The net assets of the group as at 31 March 2016 were £282.3m (2015 - £257.2m), an increase of £25.1m, the principal movements being the retained profit for the year of £18.3m; an increase in minority interests of £5.0m; foreign exchange translation gains of £3.2m; actuarial gains arising on a defined benefit pension fund of £1.2m, being offset by dividends declared and approved of £2.5m to shareholders.

Gross assets were £967.6m (2015 - £835.6m) at the year-end, of which £286.0m (2015 - £227.7m) comprises fixed assets.

Goodwill decreased from £20.3m to £39.2m: acquisitions contributed £22.0m of the increase; foreign exchange translation gains were £0.3m, and the net goodwill amortisation charge for the year was £3.4m, which includes a release of negative goodwill of £1.9m.

As required by FRS102, the group has recognised other intangible assets, which include software costs (previously included in tangible fixed assets), customer relationships, supplier relationships and trademarks (the latter three being recognised only on acquisitions). The other intangible assets increased by £21.3m to £24.4m: £19.3m arose on acquisitions during the year; organic acquisition of software was £4.9m; and the amortisation charge was £3.0m.

The group remains committed to large scale investments in tangible fixed assets, which increased by £15.9m to £216.6m. This includes the impact of organic additions of £38.3m, fixed assets in businesses acquired of £2.2m, depreciation charges of £15.6m, net book value of disposals of £7.4m and transfers to stock of £16.6m.

The group still has significant cash balances, with cash and cash equivalent balances decreasing by £28.6m, from £134.6m to £108.8m, which includes the impact of foreign exchange translation gains of £2.8m.

Borrowings increased by £10.0m to £91.8m, including debt of £5.0m arising in businesses acquired during the year. The group has financing facilities of £219.9m (excluding operating lease facilities), of which £52.6m was utilised at year end. The group remains with sufficient cash balances and access to debt to achieve its strategic objectives.

Cash flow

The consolidated cash flow statement of the group is set out on pages 45 and 46.

The group generated £44.6m (2015 - £62.8m) from operating activities, of which £40.8m (2005 - £34.8m) was generated from operating cash flows before working capital and tax; £8.2m (2015 - £28.1m) was generated from working capital movements; and £4.5m (2015 - £0.1m) of corporation tax was paid. Despite the improved profit and the diversity of the group, the group continues to focus on the effective management of working capital.

The reduction in cash and cash equivalents of £25.6m was expected as the group continues with its diversification and investment strategy to reduce risk and maximise the returns for stakeholders.

The main outflows during the year related to acquisitions and disposals (net cash outflow of £33.8m), investments in finance lease receivables by Rigby Capital of £5.1m, dividends paid during the year of £3.5m, and net capital expenditure of £34.7m.

The group's relationship with its funders remains strong, and the group has reduced its debt by £1.7m on committed external financing facilities and from loans advanced by related parties. Cash of £10.6m was generated as the group disposed of current asset investments to partly fund the acquisitions made during the year.

Exceptional Costs

There were no exceptional costs in the year. The prior year included costs of £0.6m relating to an ongoing French VAT dispute, impairment charges of £0.8m arising on certain fixed wing aircraft and exceptional income of £1.6m within the airports division received from developers wanting to develop windfarms near our airports.

STRATEGIC REPORT (continued)

FINANCE REVIEW (continued)

Finance Income

Net finance costs were £9.6m, compared to net finance income of £3.2m in the prior year, which all related to continuing operations. This includes losses of £4.0m (2015 - profits of £6.1m) arising on current asset investments.

The loss on current asset investments included mark to market losses of £4.3m (2015 - £0.5m), gains on the disposal of investments of £0.2m (2015 - £4.8m), charges paid of £0.4m (2015 - £0.5m), foreign exchange gains of £0.2m (2015 - £1.2m) and investment income of £0.4m (2015 - £1.1m) including dividends and interest coupons on structured products.

Finance costs increased from £4.1m to £5.5m, as average borrowings have increased during the prior and current years.

Tax

The tax charge for the year was £4.0m (2015 - £6.6m), an effective tax rate of 18% (2015 - 36%). This is lower than the standard UK rate of 20% primarily due to: prior year adjustments, including a release of an over provision made in 2015 to reverse research and development tax claims made in previous years in France; the reducing standard rate of tax in the UK, meaning that deferred tax balances have been restated at the lower expected reversal rates; utilisation of brought forward tax losses in France; and surplus capital allowances in the UK, on which no deferred tax had been recognised.

ACQUISITIONS

As part of its continuing diversification strategy, the group made a number of acquisitions during the year:

- Rigby Technology Investments - acquisition of 51% of Fluidata in April 2015 for £8.0m of cash; and acquisition of 60% of One Point Telecom group in December 2015 for £5.1m of cash.
- Hotels division - acquisition of additional 8 lodges at Bovey Castle.
- Rigby Private Equity - acquisition of 100% of issued share capital of Wick Hill group in July 2015 for total consideration (including deferred) of £16.0m; and acquisition of 78.93% of Zycko Group in December 2015 for total consideration (including deferred) of £16.2m.

FUTURE DEVELOPMENTS

The future developments within each of the group’s divisions are set out in the divisional performance and finance reviews on the previous pages. The acquisition made post 31 March 2016 is set out in note 33 to the financial statements.

It is too early to evaluate the impact on the group, of the UK referendum on EU membership. The group’s trading companies operate within their own country with insignificant cross border sales which could be impacted by the UK’s exit from the EU. A well-diversified customer and vendor set together with an agile management team will support the company and group through any market volatility.

Approved by the Board of Directors
and signed on behalf of the Board

Sir Peter Rigby
Director

29 September 2016

STRATEGIC REPORT (continued)

BIOGRAPHIES OF BOARD OF DIRECTORS

SIR PETER RIGBY

Sir Peter Rigby is the founder, CEO and Chairman of the Rigby Group. He started the founding company in 1975 and today it is one of the biggest privately owned businesses in the UK.

Sir Peter has an enormous depth of business experience across more than 41 years of successfully running his own businesses, both nationally and internationally. In 2002, he was knighted for his contribution to IT and business in the Midlands.

Sir Peter was also the Chairman of the Coventry & Warwickshire Local Enterprise Partnership ("CWLEP") until 31 March 2015, which aims to promote businesses and industry growth in the area. He is also a trustee of several key charities, including the Rigby Foundation, his family charitable trust. The Trust invests in causes relating to lifelong learning, health and education. The foundation currently has more than £1million of donations allocated to active projects, supported by strategic guidance and oversight from senior Rigby Group executives.

JAMES RIGBY

James Rigby is Chief Executive of SCC EMEA, Rigby Group's IT services business. Under his leadership Europe's biggest independent technology solutions provider has grown rapidly, repeatedly achieving double-digit growth.

James joined SCC in 1993 in the Engineering Services division, and was appointed to run the Technology Sourcing division in 1995. Subsequently, he was made General Manager and took on responsibility for service delivery operations across Europe, as well as playing a major role in all Group acquisitions.

James now heads SCC's operations in the UK, France, Spain, Romania and Vietnam. He has a track record as an investor in gold standard facilities and capabilities. James spends a significant portion of his time building strong client relationships designed to deliver value and excellent service. He believes businesses survive on commercial sustainability, growth and re-investment and works hard to foster the potential of people.

STEVE RIGBY

Steve Rigby is Chief Operating Officer for the Rigby Group.

Through recent years he has led a substantial change in the nature of the group by selling a number of subsidiaries, acquiring a series of businesses and in November 2012 successfully selling the SDG division.

Steve leads on all Rigby Group investments, finance and Mergers & Acquisitions activity.

GEORGE (H W) CAMPION

George joined the group as Non-Executive Director in January 2010 and he enjoys a reputation as one of Birmingham's leading business advisors.

George has held various senior roles throughout his 30 year career, first at Arthur Andersen and then at Deloitte. George's roles at Andersen and Deloitte included the positions of Senior Partner in Birmingham, leader of the Tax Practice in Central and Eastern Europe and Head of Real Estate in the Midlands.

In addition to his role at Rigby Group, he is also a Non-Executive Chairman of Lodders, Non-Executive Chairman of Aon's Midlands region and Chairman of the Governors, for Wrekin Old Hall School.

ANDREW PRICE

Andrew is the Group Finance Director for the Rigby Group having joined in 2015. His background includes a number of international senior finance roles with FTSE listed companies in a diverse range of sectors. Prior to being appointed to the Rigby Group, the Oxford University graduate was Chief Financial Officer and a founding member of Cuadrilla Resources Ltd where he was involved in a wide range of areas within the business including financial management, change management, tax planning, compliance and corporate governance. He was also responsible for the financial management of joint ventures including Centrica's £160m investment into the business.

Between 2003 and 2007, Andrew held the position of Financial Controller for Essentra, a FTSE 250 company, Andrew led a number of corporate projects during this time with the highlight of his time at the company being its floatation as a standalone plc in 2005. Andrew has worked and lived in France and the Czech Republic, in addition to spending time in South America and the Far East.

DIRECTORS' REPORT

Rigby Group (RG) plc is incorporated as a public limited company and is registered in England and Wales with the registration number 03437118.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2016.

STRATEGIC REPORT

The Companies Act 2006 requires the group to prepare a Strategic Report, set out on pages 2 to 32. The Strategic report includes information about the group's operations and business model, financial performance throughout the year and likely future developments, key performance indicators and principal risks, together with its research and development expenditure.

PRINCIPAL ACTIVITIES

The principal activity of the company is to be a holding company for the business investments of the Rigby family. Details of these investments, and the principal activities of the group are provided in the Strategic report.

There have been no changes in the group's principal activities during the year under review. Details of acquisitions made during the year are detailed in the Strategic report. The directors are not aware, as at the date of this report, of any likely major changes in the group's activities in the next financial year, other than as mentioned in note 33.

The subsidiary undertakings principally affecting the profits or net assets of the group in the year are listed in note 14 to the financial statements.

RESULTS AND DIVIDENDS

The audited financial statements are set out on pages 39 to 112.

The group's activities resulted in a profit before tax of £22,339,000 (2015 - £18,084,000). The group profit for the year, attributable to equity shareholders, amounted to £17,106,000 (2015 - £10,672,000).

The directors declared a final dividend of £0.25 (2015 - £0.25) per D ordinary share, totalling £400,000 (2015 - £400,000) and £0.59 (2015 - £0.99) per E ordinary share, totalling £1,515,000 (2015 - £2,541,000). The directors also declared final dividends of £85 (2015 - £85) per A preference share, totalling £612,000 (2015 - £612,000).

Dividends are recognised in the financial statements when they are paid, or in the case of the final dividends, when they are approved by the shareholders.

Financial Reporting Standard 102, applicable in the UK and the Republic of Ireland, (FRS 102), has been adopted as the group's accounting standard for the year and the comparable results for the prior year restated from those previously reported to reflect this new standard, see note 34.

ACQUISITIONS AND GOODWILL

The group completed several acquisitions during the year and since the year end, which are set out in the Strategic report. Further details of the acquisitions made during the year are set out in note 14 to the financial statements.

DISCONTINUED OPERATIONS

During the year, the company ceased the activities of SCD SA, based in Morocco.

During the prior year, on 12 June 2014, the group disposed of its entire shareholding in SCC Services BV.

The results of the operations of the above companies up to the date of disposal or the date of discontinuance and the comparatives for the year ended 31 March 2015 are shown under discontinued operations.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

DIRECTORS' REPORT (continued)

DIRECTORS

The directors who served during the year and subsequently were as follows:

Sir Peter Rigby	(Chairman & Chief Executive)
P A Rigby	
J P Rigby	
S P Rigby	
H W Campion	
A C Price	(appointed 1 February 2016)

Director's indemnities
The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

POST BALANCE SHEET EVENTS

Subsequent to year end, the group has completed two acquisitions.

In April 2016, the group acquired Flowline Technologies SAS in France, a data centre infrastructure and services business, based in Paris and Lyon.

In July 2016, the group acquired Pyramid Human Resources Limited, an independent software company which has developed an integrated HR and payroll software solution.

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

The group has a long history of supporting the communities directly touched by our business and believes that building and maintaining relationships of trust in the community is vital to the sustainable future of our business. We choose local charity partners through which we are able to support diverse organisations supporting a range of people and their families.

The group is also an active supporter of the Rigby Foundation, a registered charity, which operates independently of the group and makes donations to various charitable organisations that have the following charitable purposes: the advancement of health or the saving of lives; the advancement of education; the advancement of the arts, culture and heritage; the advancement of amateur sport; and the relief of those in need, by reason of ill health and/or disability, financial hardship or other disadvantage.

During the year the group made charitable donations of £1,029,000 (2015 - £431,000), including donations made to the Rigby Foundation. There were no political contributions made during the year (2015 - £Nil).

ENVIRONMENT

The group recognises the importance of its environmental responsibilities in all the markets in which it operates. In all activities, working practices, and business relationships, we continuously work towards protecting, conserving and enhancing all aspects of the environment.

In order to achieve these objectives, we seek to always meet the necessary regulatory requirements and continue to raise awareness of all employees to environmental issues. The group will always seek to minimise any impact on the environment through appropriate schemes, such as recycling, and manage all sites in an environmentally sensitive manner. We have put in place the necessary systems to manage, control and monitor performance in respect of environmental matters.

Since September 2010, our technology business in the UK, SCC, has been working with leading Carbon Management Company CO_2 Balance to calculate and offset the carbon dioxide emissions created from the operation of our Data Centres and Recycling facility to achieve CarbonZero status. This has been achieved through our support of projects such as the Energy Efficient Stove Project in Kenya and the Borehole Rehabilitation Project in Uganda.

DIRECTORS' REPORT (continued)

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility issues are important to our stakeholders and we are determined to fulfil our responsibilities to our customers, employees, suppliers, communities and the global environment. Our approach is supported by our family values.

We ensure that our business is conducted to rigorous ethical, professional and legal standards. We operate the business in an environmentally responsible manner, providing high quality and sustainable products and services to our customers with integrity and care; provide our people with a safe and rewarding workplace and act as good neighbours, making positive contributions to the communities in which we operate.

BUSINESS ETHICS

We are committed to ensuring full compliance with legislation relating to bribery and corruption, including the Bribery Act 2010. Our corporate conduct is based on our commitment to acting professionally, fairly and with integrity.

The group has a number of fundamental principles and values which it believes are the foundation of sound and fair business practice and as such are important to uphold. We have a zero tolerance position in relation to bribery, wherever and in whatever form that may be encountered. It is our policy to comply with all laws, rules and regulations governing bribery and corruption, in all the countries in which we operate.

Our comprehensive policy is applicable to all staff and covers all areas of our operations including gifts and hospitality, events and sponsorships, the making of all types of payments to businesses, charities or of a political nature and in the operation of credit policies within our businesses.

EMPLOYEES

Details of the number of employees and associated costs are disclosed in note 8 to the financial statements.

The group recognises the importance of its employees and of equality for all staff. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors concerning the performance of the group. This is achieved through formal and informal meetings and communications on the group's internal and external websites. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

TAXATION

The group pays tax in all the territories in which it operates and have legal entities only in territories where we currently trade or have recently traded. We do not operate legal entities in territories with the purpose of reducing our tax exposure.

The group has two companies based in British Virgin Islands (BVI), which were acquired when the group acquired the Bovey Castle hotel in June 2014. Both BVI companies are wholly tax resident in the UK.

DIRECTORS' REPORT (continued)

AUDITOR

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

STATEMENT OF DISCLOSURE TO THE AUDITOR

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board

Sir Peter Rigby
Director
29 September 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group’s and 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. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the group’s and company’s websites. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIGBY GROUP (RG) PLC

We have audited the financial statements of Rigby Group (RG) plc for the year ended 31 March 2016 which comprise the consolidated profit and loss account, the consolidated statement of total comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement, and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standards applicable in the UK and Ireland'.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Andrew Halls FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
29 September 2016

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2016

	Note	Continuing operations 2016 £'000	Discontinued operations 2016 £'000	Total 2016 £'000	Continuing operations 2015 £'000	Discontinued operations 2015 £'000	Total 2015 £'000
Turnover	3,4	1,785,491	1,965	1,787,456	1,611,702	15,833	1,627,535
Cost of sales		(1,529,061)	(1,865)	(1,530,926)	(1,387,734)	(14,704)	(1,402,438)
Gross profit		256,430	100	256,530	223,968	1,129	225,097
Operating expenses before goodwill amortisation and exceptional operating income		(235,942)	(523)	(236,465)	(205,524)	(3,516)	(209,040)
Goodwill amortisation	14	(3,377)	-	(3,377)	(4,307)	-	(4,307)
Exceptional operating income	5	-	-	-	230	-	230
Other operating income		2,353	-	2,353	2,904	-	2,904
Gain arising on revaluation of investment property	15	12,959	-	12,959	540	-	540
Loss on sale of discontinued operations		-	-	-	-	(696)	(696)
Total operating expenses		(224,007)	(523)	(224,530)	(206,157)	(4,212)	(210,369)
Operating profit (loss)	4	32,423	(423)	32,000	17,811	(3,083)	14,728
Share of joint ventures' operating (loss) profit		(16)	(95)	(111)	183	-	183
Profit (loss) on ordinary activities before finance charges		32,407	(518)	31,889	17,994	(3,083)	14,911
Finance (charges) income (net)	6	(9,537)	(13)	(9,550)	3,173	-	3,173
Profit (loss) on ordinary activities before taxation	7	22,870	(531)	22,339	21,167	(3,083)	18,084
Tax on profit (loss) on ordinary activities	10	(3,995)	-	(3,995)	(6,596)	-	(6,596)
Profit (loss) on ordinary activities after taxation		18,875	(531)	18,344	14,571	(3,083)	11,488

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year		18,344	11,488
Currency translation difference on foreign currency net investments		3,173	(6,542)
Re-measurement of net defined benefit liability	29	1,450	(1,684)
		4,623	(8,226)
Tax relating to components of other comprehensive income (expense)		(285)	333
Other comprehensive income (expense)		4,338	(7,893)
Total comprehensive income		22,682	3,595
Profit for the period attributable to:			
Non-controlling interest		1,238	816
Equity shareholders of the company		17,106	10,672
		18,344	11,488
Total comprehensive income for the period attributable to:			
Non-controlling interest		1,253	800
Equity shareholders of the company		21,429	2,795
		22,682	3,595

CONSOLIDATED BALANCE SHEET
31 March 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Positive goodwill	14	43,340	26,294
Negative goodwill	14	(4,096)	(5,983)
Goodwill – net balance	14	39,244	20,311
Customer relationships and other intangibles	14	24,437	3,182
Intangible assets		63,681	23,493
Tangible assets	15	216,611	200,700
Investments in joint ventures and associates	16	5,664	3,513
		285,956	227,706
Current assets			
Stocks	17	76,155	57,787
Debtors - Due within one year	18	445,118	354,079
Due after more than one year	18	6,542	1,306
Investments	19	44,307	58,967
Cash at bank and in hand		109,536	135,735
		681,658	607,874
Creditors: amounts falling due within one year	20	(608,260)	(511,302)
Net current assets		73,398	96,572
Total assets less current liabilities		359,354	324,278
Creditors: amounts falling due after more than one year	21	(63,708)	(56,599)
Provisions for liabilities and charges	23	(12,510)	(8,536)
Net assets excluding pension liability		283,136	259,143
Net pension liability	29	(822)	(1,958)
Net assets including pension liability	4	282,314	257,185
Capital and reserves			
Called-up share capital	26	8,687	8,687
Share premium account	26	149	149
Other reserves	26	3,117	3,117
Profit and loss account	26	251,109	232,192
Shareholders' funds	26	263,062	244,145
Non-controlling interest		19,252	13,040
Total capital employed		282,314	257,185

The consolidated financial statements of Rigby Group (RG) plc, registered number 03437118, were approved by the Board of Directors and authorised for issue on 29 September 2016 and signed on its behalf by:

Sir Peter Rigby, Director

COMPANY BALANCE SHEET
31 March 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	15	638	695
Investments	16	92,775	92,775
		93,413	93,470
Current assets			
Debtors - Due within one year	20	63,268	15,930
Investments	19	44,307	58,967
Cash at bank and in hand		1,573	40,718
		109,148	115,615
Creditors: amounts falling due within one year	20	(68,745)	(78,506)
Net current assets		40,403	37,109
Total assets less current liabilities		133,816	130,579
Net assets		133,816	130,579
Capital and reserves			
Called-up share capital	26	8,687	8,687
Profit and loss account	26	125,129	121,892
Shareholders' funds		133,816	130,579

The financial statements of Rigby Group (RG) plc, registered number 03437118, were approved by the Board of Directors and authorised for issue on 29 September 2016 and signed on its behalf by:

Sir Peter Rigby
Director

RIGBY GROUP (RG) PLC AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2016

	Called-up share Capital £'000	Share premium account £'000	Revaluation reserve £'000	Equity reserve £'000	Profit and loss account £'000	Other reserve £'000	Total £'000	Non-controlling interest £'000	Total £'000
At 31 March 2014, as previously stated	8,687	149	4,769	-	232,395	3,117	249,117	8,673	257,790
Changes on transition to FRS 102	-	-	(4,769)	-	571	-	(4,198)	-	(4,198)
At 1 April 2014	8,687	149	-	-	232,966	3,117	244,919	8,673	253,592
Profit for the financial year	-	-	-	-	10,672	-	10,672	816	11,488
Currency translation difference on foreign currency net investment	-	-	-	-	(6,542)	-	(6,542)	-	(6,542)
Re-measurement of net defined benefit liability	-	-	-	-	(1,684)	-	(1,684)	-	(1,684)
Tax relating to items of other comprehensive income	-	-	-	-	333	-	333	-	333
Total comprehensive income	8,687	149	-	-	235,745	3,117	247,698	9,489	257,187
Non-controlling share of acquisitions	-	-	-	-	-	-	-	4,080	4,080
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(513)	(513)
Currency translation differences on non-controlling interests	-	-	-	-	-	-	-	(16)	(16)
Dividends paid on equity shares	-	-	-	-	(3,553)	-	(3,553)	-	(3,553)
At 31 March 2015	8,687	149	-	-	232,192	3,117	244,145	13,040	257,185
Profit for the financial year	-	-	-	-	17,106	-	17,106	1,238	18,344
Currency translation difference on foreign currency net investment	-	-	-	-	3,173		3,173	-	3,173
Re-measurement of net defined benefit liability	-	-	-	-	1,450	-	1,450	-	1,450
Tax relating to items of other comprehensive income	-	-	-	-	(285)	-	(285)	-	(285)
Total comprehensive income	8,687	149	-	-	253,636	3,117	265,589	14,278	279,867
Non-controlling share of acquisitions	-	-	-	-	-	-	-	5,400	5,400
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(441)	(441)
Dividends paid on equity shares	-	-	-	-	(2,527)	-	(2,527)	-	(2,527)
Currency translation differences on non-controlling interests	-	-	-	-	-	-	-	15	15
At 31 March 2016	8,687	149	-	-	251,109	3,117	263,062	19,252	282,314

COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2016

	Called-up share Capital £'000	Profit and loss account £'000	Total £'000
At 31 March 2014 as previously stated	8,687	123,746	132,433
Changes on transition to FRS 102	-	-	-
At 1 April 2014	8,687	123,746	132,433
Profit for the financial year	-	1,699	1,699
Dividends paid on equity shares	-	(3,553)	(3,553)
At 31 March 2015	8,687	121,892	130,579
Loss for the financial year	-	5,764	5,764
Dividends paid on equity shares	-	(2,527)	(2,527)
At 31 March 2016	8,687	125,129	133,816

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Net cash inflow from operating activities	27	44,643	62,777
Cash flows from investing activities			
Interest received		420	742
Interest and dividends received on current asset investments		404	1,121
Net cash movement on current asset investments		10,573	14,517
Fees paid on current asset investments		(422)	(490)
Foreign exchange gains on current asset investments		155	752
Foreign exchange gains and payments on forward exchange contracts		-	192
Purchase of tangible fixed assets		(37,340)	(28,536)
Purchase of intangible fixed assets		(4,931)	(2,796)
Sale of tangible fixed assets		7,503	7,125
Sale of subsidiary undertakings		-	3,111
Cash and balances disposed with subsidiary undertakings		-	(2,356)
Additional consideration for purchase of subsidiary undertakings		-	(8)
Purchase of trade and assets		-	(11,094)
Purchase of subsidiary undertakings		(38,116)	(20,972)
Cash and bank balances acquired with subsidiary undertakings		6,589	3,836
Purchase of interest in associated undertaking		(2,253)	-
Amounts advanced under finance lease receivable agreements		(5,097)	-
Amounts advanced to related undertakings		(287)	-
Net cash flows from investing activities		(62,800)	(34,856)
Cash flows from financing activities			
Interest paid		(4,165)	(3,414)
Interest element of finance lease rentals and customer specific financing		(590)	(658)
Dividends paid to non-controlling interests		(441)	(513)
Equity dividends paid		(3,553)	(3,039)
Net repayments of loans secured over trade receivables		(1,234)	(10,496)
Net (repayments) advances of bank and other loans		(8,537)	20,368
Loans advanced by related parties		14,090	9,435
Repayment of loans from related parties		(3,804)	(8,225)
Capital element of finance lease rental payments		(2,177)	(2,598)
Net cash flows from financing activities		(10,411)	860
Net (decrease) increase in cash and cash equivalents		(28,568)	28,781

CONSOLIDATED CASH FLOW STATEMENT (continued)
Year ended 31 March 2016

	2016 £'000	2015 £'000
Net (decrease) increase in cash and cash equivalents	(28,568)	28,781
Cash and cash equivalents at the beginning of the year	134,637	113,434
Effect of foreign exchange rate changes	2,782	(7,578)
Cash and cash equivalents at end of year	108,851	134,637
Reconciliation to cash at bank and in hand:		
Cash at bank and in hand	109,536	135,735
Bank overdraft	(685)	(1,098)
Cash and cash equivalents at end of year	108,851	134,637

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Rigby Group (RG) plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on pages 2 to 32.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

This is the first year that the group has presented its financial statements under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, there have been a number of additional disclosure requirements in these financial statements.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 34.

The functional currency of Rigby Group (RG) plc is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Rigby Group (RG) plc meets the definition of a qualifying entity under FRS102 and has therefore has taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Basis of consolidation

The group financial statements consolidate the financial statements of the Rigby Group (RG) plc and its subsidiary undertakings drawn up to 31 March each year.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition. More information can be found in note 34 to these financial statements.

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the company.

The consolidated financial statements have been prepared on the following basis:

The financial statements of the company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.

The share of profit or loss of associate companies and jointly controlled entities is accounted under the 'Equity method' as per which the share of profit or loss of the associate company and jointly controlled entity has been adjusted to the cost of investment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

b. Basis of consolidation (continued)

The excess of the cost to the parent of its investments in a subsidiary over the parent's portion of equity at the date on which investment in the subsidiary is made, is recognised as 'Goodwill (on consolidation)'. When the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary at the date on which investment in the subsidiary is made, the difference is treated as 'Negative Goodwill (on consolidation)' in the consolidated financial statements.

Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments in the subsidiary companies are made and further movements in their share in the equity, subsequent to the dates of investments.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

c. Going concern

The group's business activities, together with factors likely to affect its future developments, performance and position are set out in the Strategic Report on pages 2 to 32 and the directors' report on pages 33 to 36. These reports describe the financial position of the group; its cash flows and liquidity position; the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

Over 86% of the group's turnover and 56.9% of the group's operating profit is generated by the group's technology division, headed by SCC EMEA Limited ("SCC EMEA"). As highlighted in note 22 to the financial statements, the SCC EMEA group has secured banking facilities in both the UK and Continental Europe which are used to meet its day to day working capital requirements. There are also committed financing facilities in the Financial Services division, and the Real Estate division, which generated 48.8% of the group's operating profit in the year to March 2016.

The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products and services; (b) the exchange rate between sterling and euro and (c) the availability of bank finance in the foreseeable future.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group would be able to operate within the level of its current facilities.

The SCC EMEA group has one primary source of external finance in the UK where loans and an overdraft are secured over the trade receivables of Specialist Computer Centres plc. The existing UK facility is uncommitted, but pricing is fixed until February 2018. The SCC EMEA group also has a main facility in Continental Europe, where loans and overdrafts are secured over the receivables of SCC SA in France. The main facility in Continental Europe is scheduled to expire September 2016.

The other divisions within the group either have their own bank debt facilities, or borrow from the ultimate parent company where necessary for major investments in infrastructure or acquisitions.

The group remains profitable, having generated £53.9m of EBITDAE (Earnings Before Interest, Taxation, Depreciation, Amortisation and Exceptional items) during the year.

At 31 March 2016, the group's consolidated cash and cash equivalent balance was £108.9m. The net cash balance (cash and cash equivalents less all debt) was £17.8m as at 31 March 2016. Current asset investments were £44.3m as at 31 March 2016.

As a consequence, the directors believe that the group is well placed to manage its business risks successfully even in prolonged circumstances of weaker economic activity.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

d. Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. In the opinion of the directors, the normal expected useful life will not exceed 10 years. Provision is made for any impairment.

Negative goodwill arising on the acquisition of businesses, representing any deficit of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and is credited to the profit and loss account in the period in which the acquired non-monetary assets are recovered through the depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

e. Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the group is expected to benefit. This period is between one and five years. Provision is made for any impairment.

f. Intangible assets – software, trademarks and other intangibles

Separately acquired patents, trademarks and other intangibles are included at cost and amortised in equal annual instalments over their useful economic lives.

Software costs are capitalised as intangible assets at cost and amortised in equal annual instalments over their useful economic lives.

Intangible assets acquired as part of a business combination, such as customer lists, customer relationships, vendor relationships and trademarks are measured at fair value at the acquisition date and amortised in equal annual instalments over its useful economic life.

In the opinion of the directors, the normal expected useful economic life for software will be between one and five years. Provision is made for any impairment.

In the opinion of the directors, the normal expected useful economic life for trademarks, customer relationships, and vendor relationships will range between five and fourteen years. Provision is made for any impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

g. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets that are in use, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Land and buildings	
Hotel freehold land and buildings	
• Land	Not depreciated
• Structural buildings	200 years
• Ancillary buildings	50 years
Airport freehold buildings	50 years
Runways	
• Bases – substructure	100 years
• Bases – intermediate layer	50 years
• Surfaces	10 to 20 years
• Roadways and fencing	10 to 50 years
Other freehold buildings	25 to 50 years
Leasehold land, buildings and improvements	lower of remaining lease period or 40 years
Short leasehold improvements	10 years
Other tangible fixed assets	
Hotel fixtures and equipment	
• Fixtures	10 years
• Furniture	5 years
• Plant	10 years
• Small equipment	5 years
Datacentres assets	
• Fixtures	10 years
• Networking	7 years
• Hardware	4 to 5 years
• Consultancy costs	4 years
Other fixtures and equipment	1 to 20 years
Motor vehicles	3 to 6 years
Fixed wing aircraft	20 years, or on the basis of hours flown, depending on size and type of aircraft.
Helicopters	20 years or on the basis of hours flown, depending on size and type of helicopter.

The cost of each helicopter is apportioned amongst the major components, being defined as individually life limited parts or sub-assemblies that can be overhauled or replaced independently of the rest of the aircraft (such as rotor blades, engines, gearboxes and components individually costing in excess of £50,000). The remainder of the cost is apportioned to the airframe (i.e. the basic hull of the aircraft plus minor components not individually capitalised).

The depreciation for major components is calculated based on remaining component life (either remaining flying hours or calendar life available). Where replaced, the major components are disposed of and replaced with new components. The airframe is depreciated on a straight line basis over the remaining useful life of the airframe.

Where major components are covered by manufacturer backed Power by the Hour ("PBH") support agreements (where hourly service fees are paid in return for free replacements), the value of the PBH agreement is recognised by offsetting the depreciation that would otherwise be applied to the relevant components.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

g. Tangible fixed assets (continued)

Depreciation is not provided on assets in the course of construction until the asset is complete and ready for its intended use.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

h. Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

i. Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

i. Financial instruments (continued)

(i) Financial assets and liabilities (continued)

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

(g) Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(v) Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(vi) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

i. Financial instruments (continued)

(vii) Hedge accounting

The group designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the group determines and documents causes for hedge ineffectiveness.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

j. Associates and jointly controlled entities

In the group financial statements investments in associates and jointly controlled entities are accounted for using the equity method. Investments in associates and jointly controlled entities are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of associates' and jointly controlled entities' profits and losses. The consolidated profit and loss account includes the group's share of associates' and jointly controlled entities' profits and losses Goodwill arising on the acquisition of associates and joint ventures is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates and joint ventures. Jointly controlled entities are where the group owns less than or equal to 50% participating interest and it does not retain operating control of the entity.

In the company financial statements, investments in associates and jointly controlled entities are accounted for at cost less impairment.

k. Stocks

Stocks held for resale are stated at the lower of cost and net realisable value. Cost comprises third party purchase cost net of attributable rebates and is calculated using the FIFO (first-in, first-out) method. No internal labour or overhead costs are included.

Stocks held for resale are analysed by age and provision is made for obsolete, slow moving or defective items where appropriate taking into account customer orders and market conditions indicating recoverability rates.

Maintenance spare part stocks are stated at purchase cost less a provision created to reflect age and the current levels of usage within the business. Where spare parts have not been used in the last three years then no value is attributed to these parts even though they may be retained for future use. Where fully written down spares are used in a future period, a value may be attributed to them based on the then current replacement cost.

Properties held for resale are at the lower of cost and net realisable value. Where properties held for resale are redeveloped, cost includes materials, direct labour and an attributable proportion of direct overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

l. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets
For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

m. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events 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 balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

m. Taxation (continued)

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

n. Revenue

Revenue is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the sale of goods is recognised when the goods are physically delivered to the customer. Revenue is recognised when persuasive evidence of an arrangement with a customer exists, delivery has occurred or all significant performance obligations have been completed, the price is fixed or determinable and the collection of the amount due is reasonably assured.

Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Rebates due to customers are accrued for in accordance with relevant contracts. Rebates reduce turnover and are held as other creditors until settlement is made.

Where a contract has only been partially completed at the balance sheet date revenue represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Revenue relating to property sales is accounted for when there is an exchange of unconditional contracts, the significant risks and rewards in the property are considered to have been transferred to the buyer, and the collection of the amount due is reasonably assured.

Revenue in respect of transactions involving deferred payment terms is recognised at present value of future cash flows receivable determined on the basis of constant periodic rate of return.

o. Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

o. Construction contracts (continued)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

p. Barter transactions

Turnover is recognised in respect of barter transactions only where services are exchanged for dissimilar services and the transaction is deemed to have commercial substance. Such transactions are measured at the fair value of the services received, adjusted by any amount of cash and cash equivalents transferred.

q. Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

r. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

The currencies which most influence these transactions, and the relevant exchange rates, were:

	2016	**2015**
Average rates (€/£)	1.365	1.275
Period end rates (€/£)	1.268	1.384

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

r. Foreign currency (continued)

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

s. Leases

The group as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

The group as lessor

(a) Finance leases

Lease contracts which transfer substantially all of the risks and rewards of ownership to the lessee are classified as finance leases.

Finance leases are accounted for on the basis of gross receivables less unearned income and provision for bad debts, and are included within debtors. Unearned income is allocated to future periods to give a constant periodic rate of return on the net investment.

(b) Operating leases

Lease contracts which does not transfer substantially all risk and rewards of the ownership to the lease are classified as operating leases and the equipment is recorded at cost in fixed assets. Depreciation is charged on a straight line basis to bring the equipment to a net book value based on the estimated market value.

Rental income from such leases is recognised on a straight line basis over the period of the contract. Rental costs represent the depreciation charge of the leased equipment.

t. Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

u. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to performance or to assets. Grants relating to performance are recognised in income over the period in which the performance-related conditions are met. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

v. Share-based payment

Certain subsidiary undertakings of the group issue equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group’s estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by the use of a valuation model considered to be most appropriate by the management.

A liability equal to the portion of the services received is recognised at and remeasured based on the current fair value determined at each balance sheet date for cash-settled share appreciation rights, with any changes in fair value recognised in profit or loss.

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period to which the employee’s performance relates.

The cost is calculated as the difference between the fair value of the shares at the date of grant (or book value of the shares if already held by the company) and the amount of the consideration that the employees may be required to pay for the shares.

The period over which the charge is recognised is the shorter of the performance period of the options (if performance related) or the period from the date the option is granted to the date that the employee becomes unconditionally entitled to the shares.

w. Rebates and marketing income

Vendor rebates, allowances and marketing income are recorded as a reduction of the cost of sales in the period in which the related goods and services are provided, or deducted from the cost of stock as appropriate in accordance with the underlying agreement with the vendor. Amounts received that require specific performance are recognised when the performance is satisfied, the amount is fixed and determinable and the collection is reasonably assured. Lump sum payments received in advance of performance are recognised over the period of the agreement.

x. Contractual obligations under preferred vendor arrangements

Where the group enters into preferred supplier arrangements which include activity related obligations, the group tracks such obligations in detail and monitors achievement closely with the respective supplier. Provisions are made where additional obligations are payable or receivable under such arrangements at the full value as determined by the contract, unless alternative arrangements are put in place, in which case provisions are based on the alternative agreement between the group and the supplier.

y. Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

z. Cash and cash equivalents

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less.

The group holds £109,536,000 (2015 - £135,735,000) of cash and cash equivalents. Due to the VAT dispute referred to in note 5, the cash and cash equivalents balance in the prior year included restricted cash of €25,865,000 or £18,689,000 relating to numerous bank deposits held to support various bank guarantees. The restricted cash balances were removed during the year ended 31 March 2016.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Future results could differ due to changes in these estimates and the difference between the actual result and the estimates are recognised in the period in which the results are known and/or materialise.

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

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

There have been no events during the year which have required the group to undertake an impairment review and future projected profit more than justifies the carrying value of goodwill at the year end.

Stocks of spare parts

Spare parts used by the SCC EMEA group to support customers of their managed services division have significant value to the business, enabling the group to quickly support customers without the delays associated with procurement of spares with low availability. Operational teams frequently review spare parts stock levels to ensure all items are still required to support current customer contracts. The spares are valued taking into account past frequency of use; age; and the latest cost price. The directors consider that the combination of frequent operational review and cautious valuation method results in a prudent valuation of spare part stocks which, despite elements of uncertainty concerning future used and estimation in valuation, does not result in any over-statement of the value attributed to these items.

Vendor Rebates

At the year-end, where vendor rebates remain unpaid, the amounts receivable are valued with reference to vendor performance reports; independent vendor confirmations; and key performance measures, where available. Where external confirmations are not available, rebate receivables are only recognised where they can be reliably measured in line with scheme objectives achieved based on confirmed earnings rates and available performance data. In some cases, vendor rebate schemes apply to periods which extend beyond the financial year end, and rebates are based on total performance over the scheme period. In these cases, the group forecasts performance for the post year end period to estimate the rebates receivable as at the year end, based on performance to year end relative to total forecast performance for the scheme period. In estimating the receivable at the year end, the directors adopt a prudent approach assuming a normal level of trading in the period after the end of the financial year to ensure that performance to year end is not overstated.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying the group's accounting policies

Revaluation of investment properties

The group carries its investment property at fair value, with changes in fair value being recognised in the profit and loss account. There is a lack of comparable market data because of the nature of the properties. The valuation technique applied a discounted rental yield depending on the location and the quality of the property, tenant and lease. Therefore the determined fair value is most sensitive to the estimated yield.

Pension benefits

The cost of the defined benefit pension plan is determined using actuarial valuations. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

The actuarial valuation involves making assumptions about discount rates, inflation, and mortality rates. The value of the liabilities is calculated by adjusting and updating the results of the latest available full valuation and while the results are not expected to differ materially from those which would arise from undertaking a full valuation, the approximate nature of the figures applied can lead to inaccuracies.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of intangible fixed assets

Intangible assets are amortised on a straight line basis and are assessed for impairment each year. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. In calculating net realisable value stocks are assessed for impairment. If stock is deemed to be impaired an estimate is made of the value of the impairment and the carrying amount is reduced to selling price less costs to complete and sell. A provision is held against the value of stock, which is based on the ageing of stock held, and relevant specific circumstances taken into account.

Trade debtor impairment loss

Trade debtors are reviewed for impairment loss on an annual basis and provision made for any balances where there is uncertainty against the recoverability of the balance. This methodology is applied on a customer by customer basis.

Creditors, provisions and liabilities

These are recognised at the balance sheet date and include amounts for accrued holiday pay, management and employee bonuses. Although these amounts are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that amounts settled subsequent to year end may be different from those provided at each year end.

Leases

All leases entered into by the group as a lessor or lessee are evaluated to determine whether they are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

3. TURNOVER

Turnover by geographical destination:

	2016 £'000	2015 £'000
United Kingdom	779,516	724,110
Continental Europe	995,522	890,429
Rest of World	12,418	12,996
	1,787,456	1,627,535

Turnover by geographical origin:

	2016 £'000	2015 £'000
United Kingdom	819,564	741,951
Continental Europe	959,350	869,771
Rest of World	8,542	15,813
	1,787,456	1,627,535

An analysis of the group's turnover is as follows:

	2016 £'000	2015 £'000
Sale of goods	1,325,043	1,293,745
Rendering of services	441,207	315,265
Income from construction contracts	11,189	12,833
Sale of residential property	4,152	-
Rental income	4,422	4,284
Commission	424	428
Grants	1,019	980
	1,787,456	1,627,535

The SCC EMEA group has two primary sources of grant income. In the UK the grant received represents amounts received in respect of our Data Centre operations and is being released to the profit and loss account over the useful economic life of those assets. In Romania, the grant is in respect of job roles created and investment made in our global delivery centre. The grant income is recognised in the profit and loss account in accordance with the underlying costs incurred.

In the UK no further conditions need to be satisfied in respect of the grant received.

In Romania, it is a condition of the grant that the roles created are maintained for a period of five years from the date of the grant which extends to 2021 and that an appropriate level of taxes are paid within the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

4. DIVISIONAL PERFORMANCE

An analysis of the group's turnover by division is as follows:

	2016 £'000	2015 £'000
Technology	1,549,388	1,555,198
Airports	34,509	34,773
Hotels	17,393	15,138
Aviation	16,080	13,579
Real Estate	15,389	12,675
Financial Services (Investments, Rigby Capital, Private Equity and Technology Investments)	173,878	-
Inter-divisional sales	(19,181)	(3,828)
	1,787,456	1,627,535

An analysis of the group's operating profit (loss) by division is as follows:

	2016 £'000	2015 £'000
Technology	18,210	16,520
Airports	4,593	5,623
Hotels	640	(362)
Aviation	(1,339)	(3,605)
Real Estate	12,200	785
Financial Services (Investments, Rigby Capital, Private Equity and Technology Investments)	3,403	(709)
Central overheads	(5,707)	(3,524)
	32,000	14,728

An analysis of the group's net assets by division is as follows:

	2016 £'000	2015 £'000
Technology	129,489	128,769
Airports	36,365	27,078
Hotels	33,410	31,784
Aviation	14,831	16,125
Real Estate	16,074	11,018
Financial Services (Investments, Rigby Capital, Private Equity and Technology Investments)	55,412	63,399
Unallocated central net liabilities	(3,267)	(20,988)
	282,314	257,185

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

5. EXCEPTIONAL OPERATING INCOME

Exceptional operating income includes:

	2016 £'000	2015 £'000
Windfarm development mitigation receipts	-	1,620
Increase in provision for French VAT dispute	-	(588)
Impairment of fixed wing aircraft and helicopters	-	(802)
	-	230

Where developers want to obtain planning permission to build windfarms near airports, the relevant airports need to provide consent due to the impact that windfarms will have on the airport's radar operations. This often results in the developers having to make mitigation payments to the airports to cover the costs of introducing processes and controls to mitigate the impact of the windfarms on the radar operations. During the prior year, the group received £1,620,000 of mitigation payments from windfarm developers.

The group was engaged in an ongoing legal dispute with the French Tax Authorities relating to a VAT assessment. During the prior year, the group made a provision of £588,000 for the VAT assessment following an adverse court ruling during the year ended 31 March 2013. The provision included VAT, penalties and interest arising under the assessment. The dispute was settled during the year ended 31 March 2016 at no further cost to group.

During the prior year, the group reviewed the carrying value of certain fixed wing aircraft and helicopters, which has resulted in an impairment charge of £802,000 as the relevant assets have been written down to recoverable value.

The effect on taxation of the exceptional operating income was to increase the taxation charge by £164,000.

6. FINANCE (CHARGES) INCOME (NET)

Investment (losses) income on current asset investments

	2016 £'000	2015 £'000
Gains on disposal of investments	171	4,765
Charges	(422)	(491)
Mark to market losses on current asset investments	(4,317)	(500)
Foreign exchange gains on current asset investments	155	1,172
Interest and dividends received from current asset investments	404	1,122
	(4,009)	6,068

Other investment income

	2016 £'000	2015 £'000
Interest receivable from bank deposits	196	433
Foreign exchange gains	-	192
Unwinding of discounts on long term debtors	237	65
Fair value adjustment on derivative instruments	156	261
Other interest receivable	104	312
	693	1,263

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

6. FINANCE INCOME (NET) (continued)

Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on bank loans and overdrafts	2,551	2,056
Interest on interest rate swaps	126	95
Finance leases and hire purchase contracts	555	658
Interest in factoring arrangements	142	362
Interest payable on loans from related parties	786	503
Foreign exchange losses	1	-
Fair value adjustment on derivative instruments	1,203	-
Unwinding of discounts on long term creditors	292	91
Other interest payable	498	352
	6,154	4,117

Net interest (payable) receivable

	2016 £'000	2015 £'000
Investment (losses) income on current asset investments	(4,009)	6,068
Other investment income	693	1,263
Less: Interest payable and similar charges	(6,154)	(4,117)
Net return on pension scheme (see note 29)	(80)	(41)
	(9,550)	3,173

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

7. PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit (loss) on ordinary activities before taxation is stated after charging (crediting):

	2016 £'000	**2015 £'000**
Depreciation of tangible fixed assets (see note 15)	15,559	14,256
Impairment of tangible fixed assets	-	802
Amortisation of goodwill (see note 14)	5,264	6,692
Amortisation of negative goodwill (see note 14)	(1,887)	(2,385)
Amortisation of intangibles (see note 14)	3,047	514
Operating lease rentals	11,569	13,023
Foreign exchange gains	(181)	(1,332)
(Profit) loss on disposal of fixed assets	(144)	37
Gain on fair value movement of investment property (see note 15)	(12,958)	(540)
Loss on fair value movement of current asset investments	4,317	500
Government grant income	(1,019)	(980)

The analysis of auditor's remuneration is as follows:

	2016 £'000	**2015 £'000**
Fees payable to the company's auditor for the audit of the company's annual financial statements	96	45
Fees payable to the company's auditor and their associates for other services to the group		
- the audit of the company's subsidiaries pursuant to legislation	445	389
Total audit fees	541	434
Other services pursuant to legislation		
- Tax services	33	371
- Corporate finance services	-	35
- Other services	199	190
	232	596

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

8. STAFF COSTS

The average monthly number of employees (including executive directors) of the group was:

	2016 Number	2015 Number
Sales	1,109	837
Administration	2,044	2,315
Engineering and production	3,444	2,761
Warehouse and distribution	547	285
	7,144	6,198

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	207,819	183,433
Social security costs	45,752	42,616
Other pension costs (see note 29)	3,941	3,458
	257,512	229,507

The remuneration above excludes redundancy payments of £2,346,000 (2015 - £2,571,000).

The average number of employees in the company (including executive directors) was 32 (2015 - 22).

9. DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors was as follows:

	2016 £'000	2015 £'000
Emoluments	392	326

The remuneration above includes amounts paid to a company controlled by Mr HW Campion (see note 30).

Pensions

The number of directors for whom the group made contributions to pension schemes were Nil (2015 - Nil):

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2016 £'000	2015 £'000
Emoluments	108	109

The highest paid director has no share options.

The group considers the directors of the company to be the key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2016 £'000	2015 £'000
Current tax		
UK corporation tax	2,566	2,693
Foreign tax	2,098	2,796
	4,664	5,489
Adjustments in respect of prior years		
- UK corporation tax	(725)	(256)
- Foreign tax	(647)	1,471
Total current tax	3,292	6,704
Deferred tax		
Origination and reversal of timing differences	519	(233)
Adjustments in respect of prior years	173	126
Deferred taxation (Note 23)	692	(107)
Deferred taxation on pension liability (Note 29)	11	(1)
Total deferred tax	703	(108)
Total tax on profit on ordinary activities	3,995	6,596

The differences between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	22,339	18,084
Tax on group profit on ordinary activities at standard UK corporation tax rate of 20% (2015 - 21%)	4,468	3,798
Effects of:		
Expenses not deductible for tax purposes	2,310	2,493
Income not taxable in determining taxable profit	(959)	(1,433)
Utilisation of tax losses not previously recognised - UK	(7)	(48)
Utilisation of tax losses not previously recognised - Foreign	(523)	(681)
Unrelieved losses carried forward not recognised - UK	12	-
Unrelieved losses carried forward not recognised - Foreign	235	19
Foreign tax charged at different rates than standard UK rate	554	591
Other foreign taxes and tax reliefs	240	701
Adjustments to tax charge in respect of previous periods	(1,199)	1,341
Effects of tax rate changes	(752)	(16)
Property revaluations and indexation allowance	(8)	(181)
Change in unrecognised deferred tax assets	(376)	12
Group tax charge for period	3,995	6,596

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate for UK corporation tax is currently 20% (2015 - 21%).

The Finance Act 2015 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. The 19% and 18% rates have been utilised in the financial statements for the purposes of calculating the deferred tax assets and liabilities for the UK entities (2015 – 20%). Deferred tax assets and liabilities of the foreign entities have been measured utilising the corresponding foreign standard rates of corporation tax substantively enacted at the balance sheet date.

In addition, it was announced in the March 2016 Budget Statement that the main rate of UK corporation tax will be further reduced by 1% to 17% from 1 April 2020. This further rate reduction had not been substantively enacted at the balance sheet date and has therefore not been reflected in these financial statements.

11. PROFIT ATTRIBUTABLE TO RIGBY GROUP (RG) PLC

The loss before dividends received or paid for the financial year dealt within the financial statements of Rigby Group (RG) plc was £7,736,000 (2015 - profit of £1,699,000). Dividends received from subsidiaries during the year were £13,500,000 (2015 - £Nil). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

12. DIVIDENDS

	2016 £'000	2015 £'000
Final dividend approved of £0.25 (2015 - £0.25) per 'D' ordinary share for 1,594,746 shares	400	400
Final dividend approved of £0.59 (2015 - £0.99) per 'E' ordinary share for 2,566,310 shares	1,515	2,541
Final dividend approved of £85 (2015 - £85) per 'A' preference share for 7,200 shares	612	612
	2,527	3,553

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

13. SHARE-BASED PAYMENTS

Three subsidiary companies in the group have issued shares under cash settled employee share schemes.

In M2 Smile Limited, an employee share scheme exists over the 'B1' and 'C1' ordinary shares. The options under the employee share scheme may be exercised during a nine month period from 31 March 2016.

Participants under the scheme can put their shares on Specialist Computer Centres plc at the prevailing market value of the shares. The pay-out for each class of share is contingent on future profit growth in the M2 Smile Limited group and is subject to an overall cap. Under the scheme, a total of 11,862 shares were issued in 2014, the fair value of which at the issue date was determined using an Earnings Before Interest, Tax, Tax and Depreciation ("EBITDA") multiple of the then current and future planned earnings, which were discounted to reflect future uncertainty.

In Specialist Computer Centres plc, three employee share schemes exists over the 'C', 'D' and 'E' ordinary shares. The options under the employee share schemes may be exercised during a twelve month period from 1 July 2017.

Participants under the schemes can put their shares on SCC UK Holdings Limited at the prevailing market value of the shares. The pay-out for each class of share is contingent on future profit growth in the Specialist Computer Centres plc group and is subject to an overall cap. Under the scheme, a total of 26,671 shares were issued in 2014, and the fair value of £2 per share at the issue date was determined using an EBITDA multiple of the then current and future planned earnings, which were discounted to reflect future uncertainty.

In Omniport Norwich Limited, an employee share scheme exists over the 'A' ordinary shares. The options under the employee share scheme may be exercised during a nine month period from 31 March 2017.

Participants under the schemes can put their shares on Omniport Limited at the prevailing market value of the shares. The pay-out for each class of share is contingent on future profit growth in the Omniport Norwich Limited group and is subject to an overall cap. Under the scheme, a total of 3,100 shares were issued in 2014, and the fair value of which at the issue date was determined using an EBITDA multiple of the then current and future planned earnings, which were discounted to reflect future uncertainty.

As these share based payments were issued by subsidiaries with put option liabilities being recognised in the books of the relevant intermediate parent companies, these are considered as cash settled share based payments for the group.

The fair value charge recognised in the profit and loss account was £1,220,000 (2015 - £1,220,000).

Following the year end, the holders of the M2 Smile Limited 'B1' ordinary shares put their shares on Specialist Computer Centres plc, which purchased the full amount of the shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

14. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Negative goodwill £'000	Software £'000	Customer relationships £'000
Cost				
At 1 April 2015, as previously reported	53,400	(6,806)	-	-
FRS102 adjustments (see note 34)	-	(2,503)	15,381	-
At 1 April 2015	53,400	(9,309)	15,381	-
Additions	-	-	4,931	-
Acquisitions	21,975	-	1,253	9,675
Disposals	-	-	(75)	-
Exchange adjustments	1,972	-	827	-
At 31 March 2016	77,347	(9,309)	22,317	9,675
Amortisation				
At 1 April 2015, as previously reported	(27,106)	2,242	-	-
FRS102 adjustments (see note 34)	-	1,084	(12,199)	-
At 1 April 2015	(27,106)	3,326	(12,199)	-
(Charged) released during the year:				
- Goodwill	(5,264)	-	-	-
- Negative goodwill	-	1,887	-	-
- Other intangible assets	-	-	(2,013)	(568)
Disposals	-	-	75	-
Exchange adjustments	(1,637)	-	(773)	-
At 31 March 2016	(34,007)	5,213	(14,910)	(568)
Net book value				
At 31 March 2016	43,340	(4,096)	7,407	9,107
At 31 March 2015	26,294	(5,983)	3,182	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

14. INTANGIBLE FIXED ASSETS (continued)

Group	Supplier relationships £'000	Trade marks £'000	Total £'000
Cost			
At 1 April 2015, as previously reported	-	-	46,594
FRS102 adjustments (see note 34)	-	-	12,878
At 1 April 2015	-	-	59,472
Additions	-	-	4,931
Acquisitions	5,753	2,636	41,292
Disposals	-	-	(75)
Exchange adjustments	-	-	2,799
At 31 March 2016	5,753	2,636	108,419
Amortisation			
At 1 April 2015, as previously stated	-	-	(24,864)
FRS102 adjustments (see note 34)	-	-	(11,115)
At 1 April 2015	-	-	(35,979)
(Charged) released during the year:			
- Goodwill	-	-	(5,264)
- Negative goodwill	-	-	1,887
- Other intangible assets	(211)	(255)	(3,047)
Disposals	-	-	75
Exchange adjustments	-	-	(2,410)
At 31 March 2016	(211)	(255)	(44,738)
Net book value			
At 31 March 2016	5,542	2,381	63,681
At 31 March 2015	-	-	23,493

Negative goodwill up to the fair value of the non-monetary assets acquired has been credited to the profit and loss account in the period in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Goodwill acquisitions

Acquisitions during the year comprises of goodwill of £4,597,000 arising from the acquisition of 51% of the issued share capital of Fluidata Limited; £8,198,000 arising from the acquisition of the entire issued share capital of Wick Hill Group Limited; £7,606,000 arising from the effective acquisition of 78.93% the entire issued share capital of Zycko Group Limited; and £1,574,000 arising from the acquisition of 60% of the issued share capital of One Point Telecom Limited.

FRS102 Adjustments

The FRS102 adjustments to negative goodwill relate to additional negative goodwill of £854,000 arising on the acquisition of Exeter & Devon Airport Limited, which was acquired in June 2013, and negative goodwill of £1,649,000 arising on the acquisition of Omniport Limited, which was acquired in June 2014.

Software costs were previously reported as part of tangible fixed assets, and have been reclassified to intangible fixed assets. Amortisation charged on software are included within operating costs in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

14. INTANGIBLE FIXED ASSETS (continued)

Acquisitions

On 8 April 2015, the group acquired 51% of the issued share capital of Fluidata Limited. The total consideration paid was £7,978,000.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair values to the group:

	Book value £'000	Fair value adjustments £'000	Fair value to group £'000
Tangible and intangible assets			
Intangible fixed assets – software	109	-	109
Intangible fixed assets – trade marks, customer relationships	-	6,776	6,776
Tangible fixed assets	1,240	-	1,240
Current assets			
Stock	17	-	17
Trade and other debtors	2,860	-	2,860
Corporation tax	23	-	23
Bank and cash	621	-	621
Total assets	4,870	6,776	11,646
Trade creditors	(1,030)	-	(1,030)
Finance leases	(167)	-	(167)
Deferred tax	(93)	(1,260)	(1,353)
Accruals and other creditors	(2,467)	-	(2,467)
Total liabilities	(3,757)	(1,260)	(5,017)
Net assets	1,113	5,516	6,629
Goodwill			4,597
Non-controlling interests			(3,248)
			7,978
Satisfied by:			
Cash			7,768
Legal and other fees			210
			7,978

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration	7,978
Bank and cash acquired	(621)
Cash outflow	7,357

The fair value adjustments comprise of the recognition of intangible assets of £5,670,000 for customer relationships and £1,106,000 for trademarks. In accordance with FRS102, a deferred tax liability of £1,260,000 has been recorded on the intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

14. INTANGIBLE FIXED ASSETS (continued)

Acquisitions (continued)

On 3 July 2015, the group acquired the entire issued share capital of Guaranteed Results Limited and Wick Hill Group Limited and its wholly owned subsidiaries. The total consideration paid was £16,018,000, including loan notes of £5,023,000.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair values to the group:

	Book value £'000	Fair value adjustments £'000	Fair value to group £'000
Tangible and intangible assets			
Intangible fixed assets - trade marks, supplier relationships	-	3,073	3,073
Intangible fixed assets - software	1,056	-	1,056
Tangible fixed assets	524	-	524
Current assets			
Stock	2,407	-	2,407
Trade and other debtors	13,152	-	13,152
Bank and cash	2,095	-	2,095
Total assets	19,234	3,073	22,307
Trade creditors	(9,693)	-	(9,693)
VAT	(856)	-	(856)
Corporation tax	(184)	-	(184)
Deferred tax	(39)	(572)	(611)
Accruals and other creditors	(3,143)	-	(3,143)
Total liabilities	(13,915)	(572)	(14,487)
Net assets	5,319	2,501	7,820
Goodwill			8,198
			16,018
Satisfied by:			
Cash			10,781
Loan notes issued			5,023
Legal and other fees			214
			16,018

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration	10,995
Bank and cash acquired	(2,095)
Cash outflow	8,900

The fair value adjustments comprise of the recognition of intangible assets of £2,491,000 for supplier relationships and £582,000 for trademarks. In accordance with FRS102, a deferred tax liability of £572,000 has been recorded on the intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

14. INTANGIBLE FIXED ASSETS (continued)

Acquisitions (continued)

At 1 December 2015, the group owned 78.93% of the entire issued share capital of Nuvias Group Limited. On the same date, Nuvias Group Limited acquired 100% of the issued share capital of Zycko Group Limited and its wholly owned subsidiaries. The remaining share capital in Nuvias Group Limited is held by minority shareholders.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair values to the group:

	Book value £'000	Fair value adjustments £'000	Fair value to group £'000
Tangible and intangible fixed assets			
Intangible fixed assets - supplier relationships, trademarks	-	4,033	4,035
Intangible fixed assets - software	88	-	88
Tangible fixed assets	354	-	354
Current assets			
Stock	1,602	-	1,602
Trade and other debtors	37,630	-	37,630
Bank and cash	2,026	-	2,026
Total assets	41,700	4,033	45,733
Debt secured over receivables	(4,970)	-	(4,970)
Trade creditors	(14,352)	-	(14,352)
Accruals and other creditors	(17,428)	-	(17,428)
Corporation tax	(9)	-	(9)
Provisions for liabilities and charges: Deferred tax	121	(748)	(627)
Total liabilities	(36,638)	(748)	(37,386)
Net assets	5,062	3,285	8,347
Non-controlling interest			215
Goodwill			7,606
			16,168
Satisfied by:			
Cash			13,482
Legal and other fees			536
Deferred consideration			2,150
			16,168

The fair value adjustments comprise of the recognition of intangible assets of £3,261,000 for supplier relationships and £772,000 for trademarks. In accordance with FRS102, a deferred tax liability of £748,000 has been recorded on the intangible assets.

Further details of the deferred consideration of £2,150,000 is included in note 20.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

14. INTANGIBLE FIXED ASSETS (continued)

Acquisitions (continued)

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration	14,018
Bank and cash acquired	(2,026)
Cash outflow	11,992

On 26 August 2015, the group acquired 60% of the issued share capital of One Point Telecom Limited and its subsidiary undertaking, One Point Communications Limited. The remaining share capital is held by minority shareholders.

The following table sets out the book values of the identifiable assets and liabilities acquired, and their fair values to the group:

	Book value £'000	Fair value Adjustments £'000	Fair value to group £'000
Tangible fixed assets			
Intangible fixed assets - customer relationships, trademarks	-	4,181	4,181
Tangible fixed assets	94	-	94
Current assets			
Stock	24	-	24
Trade and other debtors	1,838	-	1,838
Bank and cash	1,846	-	1,846
Total assets	3,802	4,181	7,983
Trade creditors	(646)	-	(646)
Accruals and other creditors	(621)	-	(621)
Corporation tax	(29)	-	(29)
Provisions for liabilities and charges: Deferred tax	-	(770)	(770)
Total liabilities	(1,296)	(770)	(2,066)
Net assets	2,506	3,411	5,917
Non-controlling interest			(2,367)
Goodwill			1,574
			5,124

The fair value adjustments comprise of the recognition of intangible assets of £4,005,000 for customer relationships and £176,000 for trademarks. In accordance with FRS102, a deferred tax liability of £770,000 has been recorded on the intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

14. INTANGIBLE FIXED ASSETS (continued)

Acquisitions (continued)

	£'000
Satisfied by:	
Cash	5,000
Legal and other fees	124
	5,124

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration	5,124
Bank and cash acquired	(1,846)
Cash outflow	3,278

In June 2013, the group acquired the entire issued share capital of Exeter & Devon Airport Limited. Following the transition to FRS102, the fair values as at the acquisition date were reviewed and revised as at the acquisition date and as at 1 April 2014.

The following table sets out the changes to the fair values as previously reported:

	Fair values previously reported £'000	Adjustments to fair values £'000	Revised fair values £'000
Tangible fixed assets	13,598	3,690	17,288
Current assets			
Stock	128	-	128
Trade and other debtors	3,488	-	3,488
Bank and cash	783	-	783
Total assets	17,997	3,690	21,687
Trade creditors	(2,020)	-	(2,020)
Accruals and other creditors	(6,152)	-	(6,152)
Pension liability	(1,370)	-	(1,370)
Provisions for liabilities and charges:			
Deferred tax	702	(2,836)	(2,134)
Total liabilities	(8,840)	(2,836)	(11,676)
Net assets	9,157	854	10,011
Negative goodwill	(6,629)	(854)	(7,483)
Consideration	2,528	-	2,528

The adjustments to the fair values comprise of the revaluation of investment properties to fair values and the recognition of deferred tax liabilities arising on business combinations as required under section 29 of FRS102. Further details on the impact of FRS102 are provided in note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

14. INTANGIBLE FIXED ASSETS (continued)

Acquisitions (continued)

In June 2014, the group acquired the entire issued share capital of Omniport Limited, which owns 80.1% of Norwich Airport Limited. Following the transition to FRS102, the fair values as at the acquisition date were reviewed and revised as at the acquisition date and as at 31 March 2015.

The following table sets out the changes to the fair values as previously reported:

	Fair values previously reported £'000	Adjustments to fair values £'000	Revised fair values £'000
Tangible fixed assets	28,378	4,937	33,315
Current assets			
Stock	140	-	140
Trade and other debtors	1,926	(1,102)	824
Bank and cash	2,018	-	2,018
Total assets	32,462	3,835	36,297
Obligations under finance leases and hire purchase contracts	(320)	-	(320)
Bank loans	(14,213)		(14,213)
Amounts owing to related parties	(765)	654	(111)
Trade creditors	(2,247)	-	(2,247)
Accruals and other creditors	(3,968)	(893)	(4,861)
Pension liability	(1,293)	-	(1,293)
Provisions for liabilities and charges:			
Deferred tax	(290)	(1,572)	(1,862)
Total liabilities	(23,096)	(1,811)	(24,907)
Net assets	9,366	2,024	11,390
Non-controlling interest	(3,341)	(375)	(3,716)
Negative goodwill	-	(1,649)	(1,649)
Consideration	6,025	-	6,025

The adjustments to the fair values comprise of the revaluation of investment properties to fair values, the revision of fair values on derivative financial instruments and the recognition of deferred tax liabilities arising on business combinations as required under section 29 of FRS102. The amount attributable to non-controlling interests was £375,000. Negative goodwill of £1,649,000 arose as a result of the revisions to the fair values, of which £1,086,000 was credited to the profit and loss account for the year ended 31 March 2015, and the remainder of £563,000 was credited during the year ended 31 March 2016. Further details on the impact of FRS102 are provided in note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

15. TANGIBLE FIXED ASSETS

	Land and buildings					
	Investment Properties		Freehold land and buildings			
	Airport properties £'000	Other £'000	Hotels £'000	Runways £'000	Other freehold £'000	Leasehold £'000
Group						
Cost or valuation						
At 1 April 2015	-	6,641	34,387	15,468	37,477	42,534
FRS102 adjustments	21,037	-	311	-	(6,018)	(5,218)
At 1 April 2015	21,037	6,641	34,698	15,468	31,459	37,316
Additions	1,485	4,603	1,978	394	1,109	2,363
Acquisition of subsidiary undertakings	-	-	-	-	-	96
Revaluations	(53)	13,012	-	-	-	-
Disposals	-	-	-	(78)	(1,423)	(583)
Reclassifications	-	4,345	219	-	-	116
Transfer to stock	-	(16,635)	-	-	-	-
Exchange adjustments	-	-	-	-	7	1,958
At 31 March 2016	22,469	11,966	36,895	15,784	31,152	41,266
Depreciation						
At 1 April 2015	-	-	-	943	5,101	15,558
FRS102 adjustments	-	-	187	-	(351)	(326)
At 1 April 2015	-	-	187	943	4,750	15,232
Charge for the year	-	-	238	755	1,101	2,024
Disposals	-	-	-	-	-	(559)
Reclassifications	-	-	-	-	-	-
Exchange adjustments	-	-	-	-	-	398
At 31 March 2016	-	-	425	1,698	5,851	17,095
Net book value						
At 31 March 2016	22,469	11,966	36,470	14,086	25,301	24,171
At 31 March 2015	21,037	6,641	34,511	14,525	26,709	22,084
Finance leased and hire purchase assets included above:						
Net book value						
At 31 March 2016	-	-	-	-	-	10,637
At 31 March 2015	-	-	-	-	-	10,088

Hotel freehold land and buildings with a net book value of £20,186,000 (2015 - £18,393,000) have been charged as security for loans of £9,000,000 (2015 - £8,851,000) provided to the group as detailed in note 22. Investment properties with a net book value of £6,575,000 have been charged as security for loans of £6,783,000 provided to the group as detailed in note 22.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

15. TANGIBLE FIXED ASSETS (continued)

	Fixtures and fittings £'000	Motor Vehicles £'000	Aircraft and Helicopters £'000	Assets in the course of Construction £'000	Total £'000
Group					
Cost or valuation					
At 1 April 2015	86,724	3,421	24,682	8,308	259,642
FRS102 adjustments	(12,204)	-	(477)	-	(2,569)
At 1 April 2015	74,520	5,421	24,205	8,308	257,073
Additions	11,128	449	10,134	4,669	38,312
Acquisition of subsidiary undertakings	2,047	70	-	-	2,213
Revaluations	-	-	-	-	12,959
Disposals	(1,019)	(650)	(8,434)	(593)	(12,780)
Reclassifications	401	(180)	-	(4,901)	-
Transfer to stock	-	-	-	-	(16,635)
Exchange adjustments	550	-	-	-	2,515
At 31 March 2016	87,627	3,110	25,905	7,483	283,657
Depreciation					
At 1 April 2015	38,773	1,649	3,807	-	65,831
FRS102 adjustments	(9,225)	-	257	-	(9,458)
At 1 April 2015	29,548	1,649	4,046	-	56,373
Charge for the year	9,326	611	1,504	-	15,559
Disposals	(995)	(506)	(3,362)	-	(5,422)
Reclassifications	72	(72)	-	-	-
Exchange adjustments	138	-	-	-	536
At 31 March 2016	38,089	1,682	2,206	-	67,046
Net book value					
At 31 March 2016	49,538	1,428	23,699	7,482	216,611
At 31 March 2015	44,972	1,772	20,141	8,389	200,700
Finance leased and hire purchase assets included above:					
Net book value					
At 31 March 2016	203	753	640	-	12,233
At 31 March 2015	607	1,754	7,742	-	20,191

Borrowing costs amounting to £134,000 (2015 - £134,000) have been included in the cost of tangible fixed assets.

Freehold land amounting to £21,263,000 (2015 - £21,240,000) has not been depreciated, and land held under leasehold of £3,943,000 (2015 - £3,614,000) has not been depreciated.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

15. TANGIBLE FIXED ASSETS (continued)

Under FRS102, previous asset revaluations on certain land and buildings held by the SCC EMEA Limited group, and on certain hotel freehold land and buildings have been deemed to be cost as at the transition date, 1 April 2014.

i. Assets held under finance leases

The SCC EMEA Limited group has leased a logistics facility in Lieusaint on a lease which is considered to meet the definition of a finance lease and is accounted for accordingly. The lease contains an option allowing the group to acquire the freehold land and buildings at the lease termination in 2022. Further details on the lease are included in note 22.

ii. Investment properties

The group had five classes of investment properties during the year.

In the airports division, the group has a freehold office building investment property, which is leased for an annual rental of £450,000 on a 15 year lease. The property was revalued to fair value at 31 March 2016, based on a valuation undertaken by Cushman & Wakefield LLP, an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was market value. The investment property is secured by a loan provided by a related party, Rigby Investment Partnership (see note 30). A fair value gain of £195,000 (2015 - £730,000) arose on this property in the year. The historic cost of the investment property is £2,200,000.

The airports division also has a number of freehold and leasehold investment properties, such as hangars, which are used as part of airports' operations. The relevant hangars are let to third party customers as part of the total service provided by the airport to those customers. These investment properties were revalued to fair value as at 31 March 2016. The valuation was undertaken by airport senior management in collaboration with the group's property team which hold relevant professional qualifications and have recent experience of the class of the investment properties being valued. To date, no external valuation has been undertaken. In determining fair value, a discounted cash flow method has been applied, with the discount rate used reflecting local market conditions, the covenant of tenants across the portfolio and the condition of properties. There are no restrictions on the realisability of the freehold investment properties or the remittance of income or proceeds of disposal. The historic cost of these properties were £6,303,000 (2015 - £6,300,000).

The operating profit is stated after charging (crediting):

	2016	**2015**
	£'000	**£'000**
Rents receivable	2,503	2,495
Contingent rents recognised as income	1,250	1,325
Fair value losses	(53)	(190)

At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments:

	2016	**2015**
	£'000	**£'000**
Within one year	2,139	2,278
In the second to fifth years inclusive	7,077	7,602
After five years	28,959	30,576

The group is contractually obliged to carry out annual repairs and maintenance in respect of some investment properties, which in the current year amounted to £19,000 (2015 - £19,000).

In the hotel division, the group held a vacant hotel at year end, which was disposed of in April 2016. The investment property was revalued to fair value at the year end, with the method of determining fair value being the proceeds derived on the disposal to the third party. A fair value gain of £1,046,000 was recognised on this property. The historic cost of the property was £4,345,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

15. TANGIBLE FIXED ASSETS (continued)

ii. Investment properties (continued)

In the Real Estate division, the group owned two investment properties. The first is a long leasehold residential property in London. The investment property was revalued to fair value at the year end, with the method of determining fair value being the directors' estimate of the market value of the property by reference to their knowledge of the market. A fair value loss of £525,000 (2015 - £Nil) was recognised on this property. The historic cost of the property was £3,975,000. The second is a development site which was acquired during the year and sold post year end to a third party. The investment property was revalued to fair value during the year, with the method of determining fair value being the proceeds derived on the disposal to the third party. A fair value gain of £12,296,000 was recognised on this property. The property was transferred to stock at the year end.

iii. Asset live revision

During the year, a wholly owned subsidiary within the technology division, Specialist Computer Centres plc, reviewed the useful lives of all of its datacentre assets as part of an operational review of the data centre facilities. This review identified that the lives of physical assets should be extended beyond the previously forecast lives. The remaining useful lives of the datacentre solution software was also reviewed in the context of customer use and demand for datacentre services, which indicated that longer than previously forecast lives were appropriate. The impact of the review was to reduce the depreciation charges by £1.6m for the year ended 31 March 2016. During the year ending 31 March 2017, depreciation charges will reduce by £1.7m compared to the charges previously forecast. Depreciation charges will be higher than previously forecast during the five years ending 31 March 2023.

Company	**Leasehold improvements £'000**	**Fixtures and equipment £'000**	**Assets in the course of construction**	**Motor vehicles £'000**	**Total £'000**
Cost					
At 1 April 2015	465	169	-	257	891
Additions	7	9	63	129	208
Disposals	-	-	-	(102)	(102)
At 31 March 2016	472	178	63	284	997
Depreciation					
At 1 April 2015	88	26	-	82	196
Charge for the year	128	29	-	63	220
Disposals	-	-	-	(57)	(57)
At 31 March 2016	216	55	-	88	359
Net book value					
At 31 March 2016	256	123	63	196	638
At 31 March 2015	377	143	-	175	695

Finance leased and hire purchase assets included above:

Net book value					
At 31 March 2016	-	-	-	40	40
At 31 March 2015	-	-	-	57	57

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

16. FIXED ASSET INVESTMENTS

	Company	
	2016	**2015**
	£'000	**£'000**
Ordinary and Preferred Ordinary shares in subsidiary undertakings	92,775	92,775

	Group	
	2016	**2015**
	£'000	**£'000**
Joint ventures and associates	5,664	3,513

Ordinary and Preferred Ordinary shares in subsidiary undertakings

	Company
	£'000
Cost and net book value	
At 1 April 2015	92,775
Addition	7,978
Disposal	(7,978)
At 31 March 2016	92,775

In accordance with sections 611, 612, 613 and 615 of the Companies Act 2006, the company has taken no account of any premium on shares issued during the years ended 31 March 2010 and 2013 and has recorded the cost of the investment at the nominal value of the shares issued.

Additions during the year in the company comprise of the acquisition of Fluidata Limited in April 2015. In March 2016, the investment was transferred at cost to Rigby Technology Investments Limited, a wholly owned subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

16. FIXED ASSET INVESTMENTS (continued)

Group investments

The parent company and the group have investments in the following subsidiary and associated undertakings:

Subsidiary and associated undertakings	Country of incorporation	Principal activity	Percentage holding
Technology Division			
SCC EMEA Limited	England and Wales	Holding company	100%
SCC UK Holdings Limited	England and Wales	Holding company	100%
Specialist Computer Centres plc	England and Wales	Systems integration	100%
M2 Smile Limited	England and Wales	Holding company	100%
M2 Digital Limited	England and Wales	Printing solutions	100%
Specialist Computer Services Limited	England and Wales	Bureau services	100%
SCC Overseas Holdings Limited	England and Wales	Holding company	100%
SCC Data Centre Services Limited	England and Wales	Dormant	100%
SCC (UK) Limited	England and Wales	Dormant	100%
Rigby Group BV	The Netherlands	Holding company	100%
Rigby Capital SA (formerly SCH Leasing Services SA)	France	Systems integration	100%
Rigby Group SAS	France	Holding company	100%
SCC SA	France	Systems integration	100%
Large Network Administration SAS	France	Systems integration	100%
Recyclea SAS	France	IT recycling	55%
Specialist Computer Centres SL	Spain	Systems integration	100%
Specialist Computer Centres Services SL	Spain	Systems integration	100%
S.C. SCC Services Romania S.R.L.	Romania	Systems integration	100%
SCD SA	Morocco	Non trading	100%
Specialist Computer Distribution FZE	Dubai	Computer distribution	100%
Best’Ware Algérie SPA	Algeria	Non trading	50%
SCC Capital Limited (formerly SCC Financial Services Limited)	England and Wales	Dormant	100%
Specialist Computer Properties Limited	England and Wales	Dormant	100%
Specialist Computers International Limited	England and Wales	Dormant	100%
Specialist Computer Holdings International Limited	England and Wales	Dormant	100%
Qualitydelight Limited	England and Wales	Dormant	100%
M2 Smile Employee Benefit Trust Limited	England and Wales	Dormant	100%
Hotel Division			
Eden Hotel Collection Limited	England and Wales	Holding company	100%
DV3 Properties Bovey Castle Limited	British Virgin Islands	Property leasing	100%
Bovey Castle Hotel Limited	British Virgin Islands	Hotel operator	100%
Bovey Castle Property Limited	England and Wales	Property leasing	100%
Mallory Court Hotel Limited	England and Wales	Hotel operator	100%
Buckland Tout–Saints Hotel Limited	England and Wales	Hotel operator	100%
The Kings Hotel (Chipping Campden) Limited	England and Wales	Hotel operator	100%
Arden Hotel Investments Limited	England and Wales	Hotel operator	100%
Arden Hotel Waterside LLP	England and Wales	Hotel operator	50%
EHC Estate Limited (formerly Tides Reach Hotel Limited)	England and Wales	Hotel operator	100%
Mount Somerset Hotel & Spa Limited	England and Wales	Hotel operator	100%
The Greenway Hotel & Spa Limited	England and Wales	Hotel operator	100%
Brockencote Hall Hotel Limited	England and Wales	Hotel operator	100%
Mallory Court Hotel Conference & Banqueting Limited	England and Wales	Dormant	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

16. FIXED ASSET INVESTMENTS (continued)

Group investments (continued)

Subsidiary and associated undertakings	Country of incorporation	Principal activity	Percentage holding
Airport division			
Regional & City Airports Holdings Limited	England and Wales	Holding company	100%
Coventry Airport Limited	England and Wales	Airport operator	100%
Exeter and Devon Airport Limited	England and Wales	Airport Operator	100%
Regional and City Airports Limited	England and Wales	Airport management	100%
Omniport Limited	England and Wales	Holding company	100%
Omniport Norwich Limited	England and Wales	Holding company	100%
Norwich Airport Limited	England and Wales	Airport Operator	80.1%
Travel Norwich Airport Limited	England and Wales	Travel agent	80.1%
Legislator 1364 Limited	England and Wales	Investment property	80.1%
Norwich Airport (Site 4) Limited	England and Wales	Dormant	80.1%
Wrenbridge Norwich Airport LLP	England and Wales	Dormant	80.1%
Wrenbridge (Project F) Limited	England and Wales	Dormant	80.1%
Real Estate division			
Rigby Real Estate Limited (Rigby Group Property Holdings Limited)	England and Wales	Property development	100%
Ostrava Limited	England and Wales	Property development	100%
Rigby & Rigby Limited	England and Wales	Property services	100%
Rigby & Rigby Architecture Limited	England and Wales	Dormant	100%
Howes & Rigby Limited	England and Wales	Property services	50%
CWDP Investment Limited	England and Wales	Holding company	100%
Coventry & Warwickshire Development Partnership LLP	England and Wales	Property development	50%
Aviation division			
Patriot Aerospace Limited	England and Wales	Holding company	100%
British International Helicopter Services Limited	England and Wales	General aviation	100%
Patriot Aviation Limited	England and Wales	General aviation	100%
BIH (Onshore) Limited	England and Wales	General aviation	100%
Capital Air Charter Holdings Limited	England and Wales	Holding company	80%
Capital Air Ambulance Limited (formerly Capital Air Charter Limited)	England and Wales	General aviation	80%
Volante Aviation Limited	England and Wales	General aviation	100%
Veritair Aviation Limited	England and Wales	General aviation	100%
Patriot Flight Training Limited	England and Wales	Dormant	100%
Patriot Aviation (Charter) Limited	England and Wales	Dormant	100%
Veritair Aviation (NI) Limited	Northern Ireland	Dormant	100%
Financial Services, Technology Investments and Private Equity division			
Financial Services			
Rigby Group Finance Limited	England and Wales	Holding company	100%
Rigby Capital Limited	England and Wales	Leasing	100%
Rigby Technology Investments			
Rigby Technology Investments Limited	England and Wales	Holding company	100%
Fluidata Limited	England and Wales	Data Delivery Network	51%
One Point Telecom Limited	England and Wales	IT and telecom solutions	60%
One Point Communications Limited	England and Wales	IT and telecom solutions	60%
Sip Communications plc	England and Wales	Unified communications	25%

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

16. FIXED ASSET INVESTMENTS (continued)

Group investments (continued)

Subsidiary and associated undertakings	Country of incorporation	Principal activity	Percentage holding
Rigby Private Equity			
Rigby Private Equity Limited	England and Wales	Holding company	100%
Ingleby (1981) Limited	England and Wales	Holding company	100%
Nuvias Group Limited (formerly Echo Rollco Limited)	England and Wales	Holding company	100%
Nuvia Networks Limited	England and Wales	Holding company	78.97%
Zycko Group Limited	England and Wales	Holding company	78.97%
Zycko Overseas Limited	England and Wales	Holding company	78.97%
Zycko Limited	England and Wales	Specialist IT distributor	78.97%
Zycko Holding GmbH	Germany	Holding company	78.97%
Zycko Networks GmbH	Germany	Specialist IT distributor	78.97%
Zycko A/S	Norway	Specialist IT distributor	78.97%
Zycko France SAS	France	Specialist IT distributor	78.97%
Zycko Italy Srl	Italy	Specialist IT distributor	78.97%
Zycko Benelux BV	The Netherlands	Specialist IT distributor	78.97%
Zycko Networks Iberica SL	Spain	Specialist IT distributor	78.97%
Zycko Polska Z.O.O.	Poland	Specialist IT distributor	78.97%
Ingleby (1977) Limited	England and Wales	Holding company	100%
Wick Hill Group Limited	England and Wales	Holding company	100%
Guaranteed Results Limited	England and Wales	Marketing	100%
Wick Hill Kommunikationstechnik GmbH	Germany	Specialist IT distributor	100%
Wick Hill Limited	England and Wales	Specialist IT distributor	100%
Wick Hill Austria GmbH	Austria	Specialist IT distributor	100%

All of the above subsidiary and associated undertakings are indirectly held, with the exception of SCC EMEA Limited, Patriot Aerospace Limited, Eden Hotel Collection Limited, Regional & City Airport Holdings Limited, Rigby Real Estate Limited (formerly Rigby Group Property Holdings Limited) and Rigby Group Finance Limited.

Company investments

The company holds 100,000 (2015 - 100,000) Preferred Ordinary shares of £1 each in Regional & City Airports Holdings Limited ("RCAH"), a company registered in England and Wales.

The company also holds 18,700,000 (2015 - 18,700,000) B Class Ordinary shares of £1 each at par in RCAH.

The RCAH Preferred Ordinary shares and B Class Ordinary shares (together the "RCAH Preferred Shares" and each share a "RCAH Preferred Share") carry a preferential dividend of 25p per RCAH Preferred Share in respect of any distribution declared in any single accounting period. If any distribution is less than 25p per RCAH Preferred Share, then the dividend will be appropriated and paid pro rata on each RCAH Preferred Ordinary share and RCAH B Class Ordinary share as if those shares were of one class. If the distribution is in excess of 25p per RCAH Preferred Share, then the excess will be appropriated, apportioned and paid pro rata on each RCAH Preferred Share and each RCAH Ordinary Share as if those shares were of one class.

The holders of the RCAH Preferred shares have a right on a winding up to receive, in priority to the RCAH Ordinary shares, repayment of capital. The balance of any distribution shall be apportioned and paid pro rata on each RCAH Ordinary Share and each RCAH Preferred Share as if those shares were of one class.

With effect from 1 March 2013, the RCAH Preferred Ordinary Shares carry one vote per share and are redeemable at any time at the option of RCAH. With effect from 31 March 2013, the RCAH B Class Ordinary Shares carry one vote per share and are not redeemable and are not liable to be redeemed at the option of RCAH or Rigby Group (RG) plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

16. FIXED ASSET INVESTMENTS (continued)

Principal group investments (continued)

The company holds 18,297,169 (2015 - 18,297,169) 'B' Preferred ordinary shares of £1 each in Eden Hotel Collection Limited ("EHC").

The EHC B Preferred Ordinary shares carry a preferential dividend of 10.2p per B Preferred Ordinary Share in respect of any distribution declared in any single accounting period after dividends have been paid on the EHC 'A' Preference Shares.

If the distribution to each EHC B Preferred Ordinary share is less than 10.2p per EHC Preferred Ordinary Share, then the dividend will be appropriated and paid pro rata on each B Preferred Ordinary share. If the distribution is in excess of 10.2p per EHC Preferred Ordinary Share, then the excess will be appropriated, apportioned and paid pro rata on each EHC Preferred Ordinary Share and each EHC Ordinary Share as if those shares were of one class.

The holders of the EHC Preferred shares have a right on a winding up to receive, in priority to the EHC Ordinary shares but subordinate to the 'A' Preference Shares, repayment of capital. The balance of any distribution after returns of capital have been made on the EHC 'A' Preference Shares and the EHC Preferred Ordinary Shares shall be apportioned and paid pro rata on each EHC Ordinary Share and each EHC Preferred Ordinary Share as if those shares were of one class.

With effect from 31 March 2013, the EHC B Preferred Ordinary Shares carry one vote per share and are not redeemable and are not liable to be redeemed at the option of EHC or Rigby Group (RG) plc.

Joint ventures and associates

Joint ventures and associates	Group £'000
Cost or share of net assets	
At 1 April 2015	3,602
Acquisitions	2,253
Share of retained loss for the year	(16)
Exchange adjustments	18
As at 31 March 2016	5,857
Provision for impairment	
At 1 April 2015	89
Increase in provision	95
Exchange adjustments	9
As at 31 March 2016	193
Net book value	
At 31 March 2016	5,664
At 31 March 2015	3,513

The net book value at 31 March 2016 includes £3,258,000 relating to joint ventures and £2,136,000 relating to associates.

In October 2015, the group acquired a 25% interest in Sip Communications plc ("Sipcom") for a total consideration of £2,253,000. Goodwill of £1,904,000 arose on the acquisition, which is being amortised over a period of 10 years. The share of Sipcom's operating loss during the year was £117,000, which includes a goodwill amortisation charge of £95,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

16. FIXED ASSET INVESTMENTS (continued)

Joint ventures and associates (continued)

The group's share of joint ventures is as follows:

	2016 £'000	2015 £'000
Turnover	1,326	1,327
Profit before taxation	101	183
Share of assets		
Fixed assets	3,837	3,385
Current assets	2,289	2,104
Share of liabilities		
Liabilities due within one year	(2,298)	(1,976)
Liabilities due after more than one year	(300)	-
Share of net assets	3,258	3,513

Joint ventures as at 31 March 2016 were Coventry & Warwickshire Development Partnership LLP; Best'Ware Algérie SPA; Howes & Rigby Limited; and Arden Hotel Waterside LLP.

During the year, a further provision of £95,000 was made against the investment in Best'Ware Algérie SPA, and the charge is included in the share of joint ventures' and associates' operating loss in the profit and loss account.

17. STOCKS

	Group	
	2016 £'000	2015 £'000
Goods held for resale	32,001	24,394
Maintenance stock and spares	5,203	5,051
Properties held for development and resale	38,864	28,209
Work in progress	87	133
	76,155	57,787

There is no material difference between the balance sheet value of stocks and their replacement cost. The company has no stocks at either year end.

The properties held for resale have been charged as security for loans of £12,565,000 (2015 - £14,925,000) provided to the group as detailed in note 22. Properties held for development and resale includes £16,635,000 transferred from tangible fixed assets.

Cumulative finance costs capitalised included in the cost of properties held for development and resale amount to £437,000 (2015 - £44,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

18. DEBTORS

Amounts falling due within one year:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	305,831	253,031	93	21
Gross amount due from customers for contract work	85	16	-	-
Amounts owed by group undertakings	-	-	60,955	15,177
Amounts receivable under finance leases	5,097	-	-	-
Other debtors	27,291	30,480	129	105
Deferred consideration receivable	-	298	-	-
VAT	2,201	2,191	157	79
Corporation tax	4,331	1,120	234	-
Group relief debtor	-	-	1,145	-
Prepayments and accrued income	97,472	65,522	241	279
Derivative financial assets (see note 25)	-	105	-	-
Government grants receivable	1,261	971	-	-
Amounts owing by related parties (see note 30)	1,006	-	-	-
Deferred taxation (see note 23)	543	345	314	269
	445,118	354,079	63,268	15,930

Trade debtors include receivables of £135,875,000 (2015 - £118,088,000) in respect of certain subsidiary companies which have been charged as security to support loans to the group as detailed in note 22.

Amounts falling due after more than one year:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	3,833	1,302	-	-
Prepayments and accrued income	2,709	-	-	-
Other debtors	-	4	-	-
	6,542	1,306	-	-

19. CURRENT ASSET INVESTMENTS

	Group and company	
	2016 £'000	2015 £'000
Listed investments - at fair value	18,474	26,200
Unlisted investments - at fair value	25,833	32,767
	44,307	58,967

The fair value of listed investments, which are all traded in active markets, was determined with reference to the quoted market price at the reporting date. The fair value of unlisted investments was calculated by the counterparties which issued the relevant securities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Obligations under finance leases and hire purchase contracts (see note 22)	1,593	1,492	13	33
Bank loans and overdrafts (see note 22)	20,602	18,449	-	-
Loans from related parties (see note 22)	16,423	11,065	16,423	11,065
Loan notes (see note 22)	5,023	-	-	-
Trade creditors	382,392	341,137	258	130
Corporation tax	1,389	1,577	-	543
Amounts owed to group undertakings	-	-	47,375	60,956
Other taxation and social security	32,162	35,428	32	-
Other creditors	35,303	29,466	-	82
Government grants	289	1,348	-	-
Accruals and deferred income	105,925	65,865	2,117	2,144
Derivative financial instruments (see note 25)	900	156	-	-
Deferred consideration	2,150	-	-	-
Declared dividend	2,527	3,553	2,527	3,553
Gross amounts due to customers for contract work	1,582	1,766	-	-
	608,260	511,302	68,745	78,506

Included in accruals is an amount of £4,167,000 (2015 - £18,729,000) relating to a French VAT assessment as detailed in note 5.

Deferred consideration is due to certain vendors of Zycko Group Limited, which was acquired during the year. The deferred consideration is based on the audited results of the consolidated Zycko Group for the year ended 31 March 2016. At the acquisition date, the deferred consideration was estimated at £2,150,000 on the assumption that Zycko Group would achieve target performance. The deferred consideration is payable by 31 March 2017.

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Obligations under finance leases and hire purchase contracts (see note 22)	9,026	9,391	-	-
Bank loans (see note 22)	33,011	39,636	-	-
Loans from related parties (see note 22)	6,081	1,045	-	-
Derivative financial instruments (see note 25)	198	-	-	-
Trade creditors	5,424	1,617	-	-
Deferred consideration	1,323	1,306	-	-
Accruals and deferred income	6,270	2,023	-	-
Government grants	2,375	1,581	-	-
	63,708	56,599	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Deferred consideration of £1,323,000 (2015 - £1,306,000) is due to Norfolk County Council and Norwich City Council following the acquisition of Norwich Airport Limited by Omniport Norwich Limited on 2 March 2004. The deferred consideration increases at each anniversary of the acquisition at the lower of 3% and the Retail Price Index, and becomes payable at the end of 15 years (2 March 2019), unless certain events have crystallised if earlier. The deferred consideration is secured by second charge over the assets of Norwich Airport Limited.

22. BORROWINGS

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank loans, including mortgages	41,174	49,230	-	-
Other loans	898	1,217	-	-
Bank overdrafts	685	1,098	-	-
Loan notes	5,023	-	-	-
Loans from related parties	22,504	12,110	16,423	11,065
Loans secured over trade receivables, including factoring facilities	10,856	6,540	-	-
Obligations under finance leases and hire purchase contracts	10,619	10,883	13	33
	91,759	81,078	16,436	11,098
Borrowings are repayable as follows:				
In one year or less	43,641	31,006	16,436	11,098
In more than one year but no more than two years	26,618	6,898	-	-
In more than two years but no more than five years	14,459	31,349	-	-
After five years	7,041	11,825	-	-
	91,759	81,078	16,436	11,098

At 31 March 2016, bank borrowings comprised the following:

SCC EMEA Limited group

In the SCC EMEA Limited UK group, there is a £70,000,000 receivables finance facility and an £10,000,000 overdraft secured over the trade receivables of Specialist Computer Centres plc. Advances under these facilities are subject to interest at 1.25% and 1.65% over Bank of England base rate respectively. The receivables finance facility is uncommitted but pricing is fixed until February 2018. There were no amounts outstanding at either year end under this facility. The overdraft facility was increased from £1,000,000 to £10,000,000 in April 2016.

In the SCC EMEA Limited Continental Europe group, there is a receivables finance facility and a €10,000,000 overdraft secured over the trade receivables of SCC SA in France. Advances under these facilities are subject to interest at a margin of 0.55% and 0.5% over Euribor. The receivables finance facility is due to expire in September 2016. The balance outstanding at year end was £7,000 (2015 - £6,540,000).

Whilst advances will vary depending on the level of receivables in SCC SA, the loan under the Continental Europe facility has been reflected as payable between two and five years, which fairly presents the repayment terms of the facilities.

Additional unsecured overdraft facilities of €21,300,000 exist in the French SCC EMEA Limited subsidiaries, which are subject to rates of between 0.8% and 1.05% over Euribor.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

22. BORROWINGS (continued)

SCC EMEA Limited group (continued)

Large Network Administration SAS has received a loan of €2,000,000 from OSEO SA, which is subject to interest at 3.8% p.a. and is repayable in equal instalments between July 2013 and June 2018. The balance outstanding at year end is £789,000 (2015 - £1,012,000).

M2 Smile Limited has a loan of £3,562,000 (2015 - £4,260,000) and an overdraft facility of £1,000,000. The loan is subject to interest at 3% above Libor and is repayable over 4 years commencing on 30 June 2015.

There are obligations under finance leases and hire purchase contracts of £501,000 (2015- £749,000) in the UK secured over motor vehicles.

In France, obligations under finance leases totalling £9,005,000 (2015 - £8,855,000) are secured over land and buildings located at Lieusaint, the group's French logistics facility. The lease is subject to interest at 4.85% p.a. and has a total term of 15 years, expiring in August 2022.

Regional & City Airports Holdings group

Legislator 1364 Limited ("Legislator") has a secured loan of £4,638,000 (2015 - £4,710,000) against its freehold investment property. With effect from 21 May 2015, the counterparty is Rigby Investments Partnership, a partnership controlled by certain shareholders of Rigby Group (RG) plc. Further information on the loan is included in note 30.

Omniport Norwich Limited ("ONL") and Norwich Airport Limited ("NAL") have a combined revolving credit facility of £10,000,000, under which a total of £8,708,000 is outstanding at year end (2015 - £9,146,000). The loan is stated after the deduction of associated unamortised debt issue costs of £17,000 (2015 - £38,000). The debt issue costs are being amortised on a straight line basis over the term of the loan. There are also overdraft facilities totalling £2,250,000 in ONL and NAL.

The ONL and NAL loan is secured on the freehold property of Norwich Airport Limited. In 2011, the loan facility was refinanced with the existing lender whereby the capital repayment schedule was amended from £10,000,000 repayable over 60 months to £2,250,000 repayable over 60 months from October 2012, with the repayment profile of payments of this amount weighted towards the latter part of the 60 month period. The balance of the loan amounting to £7,750,000 is repayable in October 2017. The loan carries interest at a rate of 3.00% above the prevailing Bank of England base rate.

As at 31 March 2015, there were two interest rate swaps against the Bank of England base rate on the revolving credit facility of £10,000,000 provided to Omniport Norwich Limited and Norwich Airport Limited. The first, with a notional amount of £5,000,000, fixed the interest payable at 3.40%. The second, which is applied to the difference between the outstanding loan balance and £5,000,000, fixed the interest payable at 0.875%. Both hedges expired in January 2016.

The terms of loans advanced by the non-controlling shareholders of Norwich Airport Limited are provided in note 30 to the financial statements.

Eden Hotel Collection Limited group

Eden Hotel Collection Limited has a term loan facility of £9,000,000 (2015 - two bank loans totalling £8,851,000) which is secured over the freehold properties owned by Buckland Tout-Saints Hotel Limited, Brokencote Hall Hotel Limited and Bovey Castle Limited. The loan is subject to interest at Libor plus 2.20%, and is repayable in January 2020.

Patriot Aerospace Limited group

Within the Patriot Aerospace Limited group there are bank loans and mortgages which are secured over certain helicopters, fixed wing aircraft and property included within tangible fixed assets. The loans are subject to interest between Libor plus 1.5% p.a. and Libor plus 3.75% per annum and are repayable over terms ranging from 12 months to 54 months. The value of loans and mortgages outstanding at the balance sheet date is £5,196,000 (2015 - £5,408,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

22. BORROWINGS (continued)

Patriot Aerospace Limited group (continued)

Also included within the Patriot Aerospace Limited group, there are finance lease and hire purchase contracts secured over various assets included within tangible fixed assets. The finance agreements are subject to interest between Libor plus 2% and Libor plus 3.75% and are repayable over various terms up to 21 months. The value of obligations under finance leases and hire purchase contracts outstanding at the balance sheet date is £518,000 (2015 - £990,000).

Rigby Real Estate Limited group

Rigby Real Estate Limited (formerly Rigby Group Property Holdings Limited) has mortgages totalling £12,565,000 (2015 - £12,565,000) secured over three long leasehold properties held for redevelopment and resale owned by the company. The loans are subject to interest at Libor plus 1.65%, Libor plus 1.8% and Libor plus 2.75% and are repayable when the relevant property is sold or by 10 December 2018, 21 January 2020 and 4 August 2017 respectively, whichever is the earliest.

Rigby Real Estate Limited (formerly Rigby Group Property Holdings Limited) also has a mortgage of £2,145,000 secured an investment property. The loan is subject to interest at a rate of Libor plus 1.8% and is repayable when the property is sold or by 23 September 2019, whichever is the earliest.

At 31 March 2015, Rigby & Rigby Limited had a loan of £2,350,000 which was secured over a long leasehold property held for resale owned by the company. During the year, the loan was repaid in full following the disposal of the long leasehold property.

Rigby Group Finance Limited group

Rigby Capital

Rigby Capital Limited has an overdraft facility of £2,500,000 secured by a debenture over the company. The facility is subject to interest at 2.5% above Bank of England base rate. The facility was implemented in April 2016.

Nuvias Group Limited group

Wick Hill Group Limited and its subsidiary undertakings have invoice discounting facilities in the UK and Germany secured over the trade receivables of Wick Hill Limited and Wick Hill Kommunikationstechnik GmbH. The facilities are £5,000,000 and €5,000,000 respectively, and are subject to interest at 1.75% above Barclays’ base rate.

Zycko Group Limited and its subsidiary undertakings have invoice financing facilities in the UK, Germany, The Netherlands, Belgium, France, Italy and Spain. The facilities are secured over the trade receivables of the relevant Zycko subsidiary in each geographic territory. The facilities total £15,000,000 and support the local currency requirements of each country. The facilities are subject to interest at between 1.75% to 2.10% over the cost of funds (typically Euribor plus a notional liquidity premium).

Loan notes of £5,023,000 were issued by Ingleby (1977) Limited as part of the consideration for the purchase of Wick Hill Group Limited which was acquired during the year. The loan notes are unsecured and are subject to interest at 1% p.a. and are repayable by 31 December 2016.

Rigby Technology Investments Limited group

Fluidata Limited has an overdraft facility of £250,000, secured by a debenture over the company. The facility is subject to interest at 2.35% over the Bank of England base rate.

Rigby Group (RG) plc

The terms of the loans from shareholders of the ultimate holding company are disclosed in note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

23. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		
	Deferred tax liability £'000	Property £'000	Total £'000
At 1 April 2015, as previously stated	-	379	379
FRS102 adjustments	8,157	-	8,157
At 1 April 2015	8,157	379	8,536
Charge to profit and loss account (see note 10)	849	-	849
Acquisition of subsidiary undertakings	3,361	-	3,361
Utilised	-	(236)	(236)
At 31 March 2016	12,367	143	12,510

Property provisions for liabilities and charges comprise onerous lease provisions which will be utilised within the year ending 31 March 2017.

The movement on deferred taxation assets are as follows:

	Group	Company
	Deferred taxation asset £'000	Deferred taxation asset £'000
At 1 April 2015, as previously stated	(1,366)	(269)
FRS102 adjustments	1,021	-
At 1 April 2015	(345)	(269)
Credit to profit and loss account (see note 10)	(157)	(45)
Exchange adjustments	(41)	-
At 31 March 2016	(543)	(314)

Net deferred taxation liability (asset) is recognised as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fixed asset timing differences	13,086	8,996	(14)	8
Tax losses available	(78)	(259)		-
Other timing differences	(1,184)	(925)	(300)	(277)
Undiscounted liability (asset) for deferred taxation	11,824	7,812	(314)	(269)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

23. PROVISION FOR LIABILITIES AND CHARGES (continued)

The deferred tax assets and liabilities will reverse over the following periods:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year	1,421	(542)	(314)	(269)
After more than one year	10,403	8,354	-	-
Undiscounted liability (asset) for deferred taxation	11,824	7,812	(314)	(269)

Deferred taxation asset not recognised is as follows:

Group	2016 £'000	2015 £'000
Fixed asset timing differences	1,786	2,260
Tax losses available	10,720	10,918
Other timing differences	2	163
	12,508	13,341

A deferred tax asset amounting to £10,720,000 (2015 - £10,918,000) for trading losses has not been recognised because it is not sufficiently certain that there will be suitable taxable profits available in the relevant tax jurisdictions in the foreseeable future to utilise these tax losses.

A deferred tax asset amounting to £2,000 (2015 - £163,000) for other timing differences has not been recognised because it is not sufficiently certain that there will be future taxable profits available in the relevant tax jurisdictions when these timing differences reverse.

A deferred tax asset amounting to £1,786,000 (2015 - £2,260,000) for fixed asset timing differences has not been recognised because it is not sufficiently certain that there will be suitable taxable profits available to utilise the capital allowances.

There is no unprovided deferred tax in the company at 31 March 2016 (2015 - £Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

24. FINANCIAL INSTRUMENTS

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group	
	2016	**2015**
	£'000	**£'000**
Financial asset		
Measured at fair value through profit or loss		
- Current asset listed investments	18,474	26,200
- Current asset unlisted investments	25,833	32,767
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets	-	105
Measured at undiscounted amount receivable		
- Trade and other debtors	341,000	288,107
Measured at discounted amount receivable		
- Long-term trade and other debtors	3,833	1,306
- Amounts receivable under finance leases	5,097	-
Measured at carrying value		
- Cash and cash equivalents	109,536	135,735
	503,773	482,220

	Group	
	2016	**2015**
	£'000	**£'000**
Financial liability		
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities	(1,098)	(156)
Measured at amortized cost		
- Loans payable	(80,456)	(69,097)
- Long term trade and other creditors	(9,265)	(4,883)
- Obligations under finance leases	(10,619)	(10,883)
Measured at undiscounted amount payable		
- Bank overdraft	(685)	(1,098)
- Trade and other creditors	(456,212)	(412,509)
	(558,335)	(498,626)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

24. FINANCIAL INSTRUMENTS (continued)

The group's income, expense, gains and losses in respect of financial instruments are summarised below:

	2016 £'000	2015 £'000
Interest Income and Expense		
Total interest income for financial assets at amortised cost	300	937
Total interest income for financial assets at discounted amount receivable	237	65
Total investment income from financial assets measured at fair value through profit and loss account	308	6,568
Total interest expense for financial liabilities at amortised cost	(4,951)	(4,117)
Fair value gains and losses		
On financial assets measured at fair value through profit or loss	(4,317)	(500)
On derivative financial liabilities designated in an effective hedging relationships	(1,047)	261

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Due within one year		Due after one year	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Group				
Derivatives that are designated and effective as hedging instruments carried at fair value				
Assets				
Forward foreign currency contracts	-	105	-	-
	-	105	-	-
Liabilities				
Forward foreign currency contracts	900	-	198	-
Interest rate swaps	-	156	-	-
	900	156	198	-

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2016 Rate	2015 Rate	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Buy US Dollar						
Less than 3 months	1.416	1.498	18,817	4,880	18,499	4,980
Buy Euros						
Less than 3 months	1.265	-	158	-	159	-
Buy Norwegian Kroner						
Less than 3 months	13.153	-	30	-	33	-
Buy Polish Zloty						
Less than 3 months	5.198	-	178	-	195	-
Buy Swedish Kroner						
Less than 3 months	12.653	-	40	-	44	-
			19,223	4,880	18,930	4,980
Sell Euros						
Less than 3 months	1.305	1.370	7,692	1,133	7,923	1,128
In 4 months to 1 year	1.346	-	4,179	-	4,485	-
Between 1 and 2 years	1.330	-	2,113	-	2,262	-
Between 2 and 3 years	1.298	-	981	-	1,029	-
Sell Norwegian Kroner						
Less than 3 months	12.681	-	357	-	377	-
Sell Polish Zloty						
Less than 3 months	5.645	-	795	-	833	-
Sell Swedish Kroner						
Less than 3 months	12.273	-	230	-	242	-
			16,346	1,133	17,151	1,128

The group has entered into contracts with suppliers to buy goods and services in US Dollars. The group has entered into contracts to supply goods and services to customers in Euros. Certain group companies in Germany, Sweden, UK and Poland that trade with each other in currencies including Euros, Norwegian Kroner, Swedish Kroner and Polish Zloty.

The group has entered into forward foreign currency contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are considered by management as hedges of foreign exchange risk in highly probable forecast transactions. The hedged cash flows are expected to occur and to affect profit or loss within the next three financial years.

A net loss of £1,254,000 was recognised in the profit or loss account during the year on the recognition of fair values on the forward contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swap contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal value		Fair value	
	2016 %	2015 %	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Less than 1 year	-	3.40	-	5,000	-	144
Less than 1 year	-	0.0875	-	4,138	-	14
			-	9,138	-	156

The interest rate swaps expired in January 2016, and the group settled the difference between the fixed and floating interest rate on a net basis.

26. CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, called-up and fully-paid		
17,342,897 'A' Ordinary shares of 5p each	867	867
7,200 'A' preference shares of £1,000 each	7,200	7,200
8,231,824 'C' Ordinary shares of 5p each	412	412
1,594,746 'D' Ordinary shares of 5p each	80	80
2,566,310 'E' Ordinary shares of 5p each	128	128
	8,687	8,687

As at 31 March 2016, the ordinary share capital comprised of 'A' ordinary shares; 'C' ordinary shares; 'D' ordinary shares and 'E' ordinary shares.

The 'D' ordinary shares rank ahead of the 'A', 'C' and 'E' ordinary shares, and are subject to a fixed dividend of £400,000 (£0.25 per share) per financial year.

The capital rights of the 'D' ordinary shares are restricted based on market value at the date of conversion. The 'D' ordinary shares carry one vote per share.

The 'C' ordinary shares are entitled to dividends of 'non-trading' cash in the group. An initial fixed dividend of £3.64 per share, totalling £30,000,000, was paid on the 'C' ordinary shares during the year ended 31 March 2014, thereafter the 'C' ordinary shares rank behind the 'A' preference shares and the 'D' ordinary shares. The 'C' ordinary shares are entitled to the redemption of nominal share capital in priority to all shares other than the 'A' preference shares. The 'C' ordinary shares carry no voting rights.

The 'E' ordinary shares rank pari passu with the 'A' ordinary shares in terms of dividend rights, but behind the 'A' preference shares and the 'D' ordinary shares, subject to the initial fixed dividend being paid on the 'C' ordinary shares. The 'E' ordinary shares rank parri passu with the 'D' and 'A' ordinary shares in terms of capital rights but behind the 'A' preference shares and the 'C' preference shares. The 'E' ordinary shares carry one vote per share.

The 'A' ordinary shares rank pari passi with the 'E' ordinary shares in terms of dividend rights and behind the 'A' preference shares and the 'D' ordinary shares, subject to the initial fixed dividend being paid in the 'C' ordinary shares. The 'A' ordinary shares rank pari passu with the 'D' and 'E' ordinary shares in terms of capital rights, but behind the 'A' preference shares and the 'C' preference share. The 'A' ordinary shares carry one vote per share.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

26. CALLED UP SHARE CAPITAL (continued)

The ‘A’ Preference shares have no voting rights. The shareholders of the ‘A’ Preference shares have a right in a winding up to receive, in priority to the ‘A’, ‘B’, ‘C’, ‘D’ and ‘E’ ordinary shares, repayment of capital, together with any arrears of divided. The ‘A’ preference shares are entitled to the first £85 per share of profits resolved to be distributed in any single accounting period.

The group and company’s other reserves are as follows:

The share premium account contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss account represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

Other reserves comprise of £3,289,000 which arose pursuant to sections 131 and 133 of the Companies Act 2006 on the acquisition of Prime Properties Developments Limited on 1 August 2003, less £172,000 which arose on the merger of SCC UK Holdings Limited (then known as Specialist Computer Holdings (UK) plc) and Specialist Computers International Limited during the year ended 31 March 2004.

27. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2016 £’000	**2015 £’000**
Operating profit	32,000	14,728
(Profit) loss on disposal of fixed assets	(144)	37
Depreciation	15,559	14,256
Impairment of tangible fixed assets	-	802
Increase in fair value of investment property	(12,959)	(540)
Amortisation of negative goodwill	(1,887)	(2,385)
Amortisation of positive goodwill	5,264	6,692
Amortisation of other intangible fixed assets	3,047	514
Loss on disposal of discontinued operations	-	696
Difference between pension charge and cash contributions	(62)	(83)
Operating cash flow before movement in working capital	40,818	34,717
Decrease (increase) in stocks	3,677	(14,885)
(Increase) decrease in debtors	(14,352)	10,224
Increase in creditors	19,010	32,822
UK corporation tax (paid) received	(3,735)	1,743
Foreign tax paid	(775)	(1,844)
Net cash inflow from operating activities	44,643	62,777

The prior year operating cash flows include inflows of £1,620,000 which relate to the exceptional operating income of £230,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

28. FINANCIAL COMMITMENTS

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Contracted for but not provided for				
- other	9,698	-	349	-
	9,698	-	349	-

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group 2016		Group 2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases repayable				
- within one year	7,795	4,179	3,189	1,859
- between one and five years	24,209	4,707	9,262	6,870
- after five years	33,210	-	47,691	-
	65,214	8,886	60,142	8,729

	Company 2016		Company 2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases repayable				
- within one year	449	-	164	-
- between one and five years	2,323	-	818	-
- after five years	3,422	-	132	-
	6,194	-	1,114	-

Coventry Airport Limited ("CAL") has the benefit of a 125 year lease which confers a rent free period for the first four years ending 31 March 2014. Thereafter, a profit share rent becomes payable depending on the cumulative balance standing to the credit of CAL's profit and loss account. At present, such future commitment cannot be quantified as to either timing or amount, although the profit share rental is capped at a maximum of £500,000 per annum in the first ten years and £750,000 per annum in years eleven to twenty five.

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

29. EMPLOYEE BENEFITS

Defined contribution schemes

The group makes contributions to defined contribution pension plans in the UK for which the pension cost charge for the year amounted to £2,751,000 (2015 - £2,586,000). The group makes pension contributions in Continental Europe, for which the pension cost charge for the year amounted to £916,000 (2015 - £472,000).

The group historically operated defined contribution schemes and a defined benefit scheme in The Netherlands for SCC Services BV. The entire issued share capital of SCC Services BV was sold on 12 June 2014. The total pension contributions paid during the prior year to both the defined benefit and the defined contribution schemes in The Netherland were £72,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

29. EMPLOYEE BENEFITS (continued)

Defined contribution schemes (continued)

The subsidiary companies, Norwich Airport Limited ("NAL") and Travel Norwich Airport Limited ("TNAL") are admitted bodies to the Norfolk local government pension scheme (the "Norfolk Pension Fund"), a defined benefit scheme. On 2 March 2004, as part of the sale of a majority shareholding in NAL by Norfolk County Council and Norwich City Council, NAL's and TNAL's participation in the scheme was changed such that future contributions were set at a fixed rate of 6% in relation to current service periods. Under the terms of the sale agreement, the directors consider it likely that the funding responsibility for the scheme will revert to NAL and TNAL at a date not earlier than 15 years from the original sale date (i.e. 2019). At this point, NAL and TNAL will become liable for the current service costs only from that point onwards. Full details of the Norfolk Pension Fund are disclosed within the financial statements of Norfolk City Council as at 31 March 2016. In addition, NAL and TNAL are participating members of a defined contribution scheme. Contributions are charged to the profit and loss account in the period to which they relate. Total pension contributions paid by NAL and TNAL during the year were £212,000 (2015 - £226,000).

Defined benefit scheme

Exeter and Devon Airport Limited ("EDAL") operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2013 and updated to 31 March 2016 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below. The pension fund is closed to new members and on 30 April 2014, the pension fund was closed to future benefit accrual.

For the comparative period, details have been provided of the movements between 26 June 2013 and 31 March 2014.

The most recent actuarial valuation showed a deficit of £2,479,000. A prudent allowance for the impact of the increase in gilt yields since the valuation date reduced the funding shortfall to £945,000. The employer has agreed with trustees that it will aim to eliminate the deficit over a period of 9 years and 2 months from 1 July 2014 by the payment of £5,000 per month, increasing on 1 April each year by 3% in respect of the deficit until 31 August 2023. In addition and in accordance with the actuarial valuation, the employer has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 2016 by Mr. Jason Knight, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	Valuation at 31 March	
	2016	**2015**
Key assumptions used:		
Discount rate	3.70	3.30
Inflation (RPI)	3.30	3.30
Inflation (CPI)	2.30	2.30
Allowance for revaluation of deferred pensions of CPI or 5% if less	2.30	2.30
Allowance for revaluation of deferred pensions of CPI or 2.5% if less	2.30	2.30
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.20	3.20
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.50	2.50
Allowance for pension in payment increases of RPI or 3% p.a. if less	2.30	2.30
Allowance for commutation of pension for cash at retirement	75% of Post A Day (Commutation Factor: 13:1 Male at 65)	75% of Post A Day (Commutation Factor: 13:1 Male at 65)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

29. EMPLOYEE BENEFITS (continued)

EDAL Defined benefit scheme (continued)

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at 31 March	
	2016 years	**2015 years**
Retiring today:		
Males	22.1	22.5
Females	24.4	24.9
Retiring in 20 years:		
Males	23.8	24.3
Females	26.3	26.8

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2016 £'000	**2015 £'000**
Current service cost	-	19
Interest cost	420	443
Expected return on scheme assets.	(340)	(402)
Deferred taxation (see note 10)	(11)	1
	69	61
Recognised in other comprehensive income:		
Return on plan assets (excluding amounts included in net interest cost) - (loss) gain	(33)	112
Experience gains and losses arising on the plan liabilities - gain	302	48
Effects of changes in demographic and financial assumptions underlying the present value of plan liabilities	1,181	(1,844)
Deferred and current taxation	(285)	333
	1,165	(1,351)
Total income (cost) relating to defined benefit scheme	1,234	(1,290)

EDAL paid contributions £62,000 during the year (2015 - £102,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

29. EMPLOYEE BENEFITS (continued)

EDAL Defined benefit scheme (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2016 £'000	2015 £'000
Present value of defined benefit obligations	(11,380)	(12,993)
Fair value of scheme assets	10,365	10,546
Deficit in the scheme to be recognised	(1,015)	(2,447)
Deferred tax	193	489
Net liability recognised in the balance sheet	(822)	(1,958)

Movements in the present value of defined benefit obligations were as follows:

	2016 £'000	2015 £'000
At 1 April	12,993	10,903
Service cost	-	19
Interest cost	420	465
Actuarial gains and losses	(1,483)	1,796
Contributions from scheme participants	-	7
Benefits paid	(550)	(197)
At 31 March	11,380	12,993

Movements in the fair value of scheme assets were as follows:

	2016 £'000	2015 £'000
At 1 April	10,546	10,098
Actuarial gains and losses	(33)	134
Return on plan assets	340	402
Contributions from the employer	62	102
Contributions from scheme participants	-	7
Benefits paid	(550)	(197)
At 31 March	10,365	10,546

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

29. EMPLOYEE BENEFITS (continued)

EDAL Defined benefit scheme (continued)

The actual return on the plan assets for the year ended 31 March 2016 was £307,000 (2015 - £536,000).

The analysis of the scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	2016 £'000	2015 £'000
UK equities	1,088	1,250
Overseas equities	1,088	1,249
Index linked bonds	3,713	-
Diversified growth funds	4,440	-
Government bonds	-	1,910
Cash and other	36	6,137
	10,365	10,546

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

30. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 102 from disclosing transactions with its wholly owned subsidiaries.

Loans advanced by related parties

As at year end, loans from related parties comprised of the following:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Loans from shareholders	10,923	11,065	10,923	11,065
Loan from Rigby Investment Partnership	4,638	-	-	-
Loans from Rigby Capital Investments Limited	5,500	-	5,500	-
Loans from minority shareholders	1,443	1,045	-	-
	22,504	12,110	16,423	11,065

The shareholders have made various loans to the group. During the year £3,673,000 (2015 - £8,501,000) was advanced to the group and £3,815,000 (2015 - £3,395,000) was paid by the group to the shareholders.

The loans from the shareholders of the company were subject to interest at 4% p.a. Interest of £469,000 was accrued on the loans during the year (2015 - £383,000) and total interest of £384,000 (2015 - £787,000) remains unpaid at the year end. Interest of £872,000 was paid during the year (2015 - £Nil).

During the year, Rigby Investment Partnership, a partnership controlled by two directors of the company advanced an amount of £4,638,000 to Legislator 1364 Limited, which was subject to interest at 7.915% p.a. Interest of £317,000 was accrued during the year, which remains outstanding at the year end. Rigby Investments Partnership have confirmed that the loan continues under the terms of the loan agreement and it will not seek repayment until Legislator is able to seek appropriate refinancing or has cash available.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

30. RELATED PARTY TRANSACTIONS (continued)

Loans advanced by related parties (continued)

In March 2016, Rigby Capital Investments Limited, a company controlled by three directors of the company and also a shareholder of the company, advanced £5,500,000 to the group. The loan was repaid in full in April 2016, and no interest was paid on the loan.

Loans from minority shareholders relates to a loan received in Norwich Airport Limited from Norwich City Council of £1,443,000 (2015 - £1,045,000) to partly fund the replacement of a radar system at Norwich Airport. The loan is interest free until October 2023, and thereafter is bears interest at 5.8% p.a.. The loan is repayable in equal instalments over 12 years commencing from October 2023.

Loans advanced to related parties

During the year the group provided funding of £308,000 (2015 - £385,000) to Coventry & Warwickshire Development Partnership LLP, a joint venture partnership whose interest is held by a group company, CWDP Investment Limited. At the balance sheet date the amount due to the group from Coventry & Warwickshire Development Partnership LLP included within Amounts owing by related parties (note 18) is £793,000.

Trading with related parties

During the current and/or prior year the group traded with various companies which were controlled by shareholders or directors.

During the year, the group paid professional fees of £108,000 (2015 - £68,000) to HW Campion Limited, a company controlled by a director, Mr HW Campion.

The group sold goods and services of £134,000 (2015 - £134,000) to Arden Hotel Waterside LLP, a joint venture partnership whose interest is held by a group company, Arden Hotel Investments Limited. The amount due to the group from Arden Hotel Waterside LLP included within Amounts owing by related parties (note 18) is £75,000 at the year end.

During the year, the group sold services of £855,000 (2015 - £546,000) to directors of the company. An amount of £138,000 remains unpaid at the year end, included in amounts owing by related parties (note 18).

The group has also traded with companies that are controlled by parties related to the shareholders. The group purchased services from Creed Polo Limited of £300,000 (2015 - £400,000) during the year. Creed Polo Limited is a company controlled by the wife of a director and shareholder.

Director's interests in contracts

On 1 August 2003, the group acquired the entire share capital of Prime Properties Developments Limited, a company in which Sir Peter Rigby was a director and majority shareholder.

Under the terms of the sale and purchase agreement, Sir Peter Rigby will receive a right to future cash payments if any of the properties in Prime Properties Developments Limited are sold at a gain over their value on 1 August 2003. The average payment, which will arise if any of the properties are sold within a period of 30 years, will be calculated as 50% of the amount by which the sales value exceeds the market value at 1 August 2003.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

31. CONTINGENT LIABILITIES

During the year, the group acquired 51% of the entire issued share capital of Fluidata Limited and entered into put and call options allowing it to increase its shareholding to 100% by 30 November 2018. Since the year end, the group paid £1,057,000 to increase its shareholding from 51% to 58% and still retains call options over the remaining 42%.

During the year, the group effectively acquired 78.93% of Zycko Group Limited. Certain vendors of Zycko Group Limited retain non-controlling shareholdings in Nuvia Networks Limited which are expected to be exchanged under the terms of the sale and purchase agreement for non-controlling shareholding in Nuvias Group Limited (formerly Echo Rollco Limited) before 31 March 2017.

During the year, the group acquired 60% of the entire issued share capital of Onepoint Telecommunications Limited and entered into put and call options allowing it to increase its shareholding to 100% by 31 December 2018.

During the year, the group acquired a non-controlling interest of 25% of the entire issued share capital of Sip Communications plc and entered into call options allowing it to increase its shareholding to 100% by 31 December 2018. If the call options are not exercised and lapse, the majority shareholder will be able to acquire the 25% interest owned by the group.

It is impractical to estimate the amounts payable when the options are exercised

32. CONTROLLING PARTY

Sir Peter Rigby controls the company as a result of owning 75% of the issued ordinary share capital.

33. POST BALANCE SHEET EVENTS

In April 2016, the group acquired Flowline Technologies SAS in France, a data centre infrastructure and services business, based in Paris and Lyon.

In July 2016, the group acquired Pyramid Human Resources Limited, an independent software company which has developed an integrated HR and payroll software solution.

The total consideration paid for both acquisitions was £6,500,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

34. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the group and company have presented their financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of equity

		Group	
		At 1 April 2014 £'000	At 31 March 2015 £'000
	Equity reported under previous UK GAAP	257,790	259,185
	FRS102 effect on 2014 carried forward	-	(4,198)
		257,790	254,987
	Adjustments to equity on transition to FRS 102		
	SCC EMEA Group		
a.	Fair value adjustments on derivative financial instruments	(18)	156
a.	Foreign currency effects on translation at closing rate	18	(105)
a.	Unwinding of discount on long term monetary assets and liabilities	-	22
a.	Deferred tax effects on forward contracts	-	(19)
c.	Holiday pay accrual	(75)	-
c.	Deferred tax effects on holiday pay accrual	17	-
d.	Deferred tax effects on property revaluation	(1,129)	29
	Regional & City Airports Holdings Group		
e.	Reclassification of property	(4,336)	(6,486)
e.	Fair value of investment properties	9,582	11,265
e.	Depreciation on property	-	754
e.	Deferred tax on investment properties	(1,760)	(83)
a.	Fair value adjustments on derivative financial instruments	-	(1,301)
a.	Deferred tax on financial instruments	-	22
f.	Deferred tax on business combination	(2,098)	(1,280)
f.	Goodwill on business combination	(854)	(564)
c.	Holiday pay accrual	(17)	(20)
	Eden Hotel Collection Group		
i.	Depreciation of hotel land and buildings	-	(204)
f.	Deferred tax on business combination	(3,049)	72
	Patriot Aerospace Group		
j.	Fair value adjustment to fixed assets	(215)	484
j.	Reclassification of maintenance spares to fixed assets	(212)	(50)
j.	Fixed asset amendments, including depreciation	-	(559)
j.	Deferred tax on fixed asset amendments	-	83
c.	Holiday pay accrual	(64)	(23)
c.	Deferred tax effects on holiday pay accrual	12	5
	Equity reported under FRS 102	253,592	257,185

There were no adjustments to the company's equity as at 1 April 2014 from the introduction of FRS102.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

34. EXPLANATION OF TRANSITION TO FRS 102 (continued)

Reconciliation of profit or loss for the year ended 31 March 2015

Note		Group £'000
	Profit for the financial year under previous UK GAAP	8,913
	SCC EMEA group	
a.	Fair value adjustments on derivative financial instruments	156
a.	Foreign currency effects on translation at closing rate	(105)
a.	Unwinding of discount on long term monetary assets and liabilities	22
a.	Deferred tax effects on forward contracts	(19)
d.	Deferred tax effects on property revaluation	29
	Regional & City Airports Holdings group	
e.	Reversal of depreciation on property	754
e.	Fair value adjustments on investment properties	(190)
e.	Reclassification of fair value adjustments on investment properties	730
e.	Deferred tax on investment property	(83)
f	Goodwill on business combination	1,086
f.	Deferred tax on business combinations	292
c.	Movement on holiday pay accrual	(20)
a.	Fair value adjustments on derivative financial instruments	107
a.	Deferred tax on fair values on derivatives	(14)
h.	Defined benefit pension scheme	22
	Eden Hotel Collection group	
i.	Depreciation of hotel land and buildings	(204)
f.	Deferred tax on business combinations	72
	Patriot Aerospace group	
j.	Reversal of impairment losses	434
j.	Capitalisation of maintenance costs	115
j.	Additional depreciation charges	(674)
j.	Deferred tax	83
c.	Movement on holiday pay accrual	(23)
c.	Deferred tax on holiday pay accrual	5
	Profit for the financial year under FRS 102	11,488

There were no adjustments to the company's profit and loss account for the year ended 31 March 2015 from the introduction of FRS102.

Notes to the reconciliation of equity as at 1 April 2014 and profit for the year ended 31 March 2015

a. Financial instruments, including derivative contracts

Under previous UK GAAP, and as the group did not historically adopt FRS25 and FRS26, there was no requirement to reflect financial instruments at fair values within the financial statements. Under FRS102, long term trade receivables and trade payables are now reported at the discounted present value of the future cash flows. Forward contracts have been restated at fair value using the appropriate forward rates applicable at the year end.

Under pervious UK GAAP, interest rate swaps were not shown on the balance sheet at year end. Net interest payable was accrued. Under FRS102, interest rate swaps are recorded on the balance sheet at fair value and accounted for at fair value through the profit and loss account.

The impact in the SCC EMEA Group ("SEG") was £Nil as at 1 April 2014, and an increase in profit of £54,000, net of related deferred tax, for the year ended 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

34. EXPLANATION OF TRANSITION TO FRS 102 (continued)

a. *Financial instruments, including derivative contracts (continued)*

In June 2014, the group acquired Norwich Airport. The fair values of derivative contracts held as at the acquisition date were reviewed, reducing group equity by £1,408,000. A deferred tax asset of £36,000 arose on the derivative contracts at the acquisition date.

The derivative contracts in the Regional & City Airports Holdings Group ("RCAG") were fair valued as at 31 March 2015, resulting in an increase in profit of £93,000, net of related deferred tax of £14,000, for the year ended 31 March 2015.

b. *Software costs*

Software costs previously recognised as property, plant and equipment have been reclassified as intangible fixed assets. The corresponding depreciation charge has subsequently been treated as amortisation in the profit and loss account. There has been no adjustment to the assessment of the useful economic lives of these assets as a result of the change in the classification.

The impact in the SEG as at 31 March 2015 was that intangible fixed assets increased by net book value of £3,182,000 and tangible fixed assets decreased by a net book value of the same amount. The impact on the profit for the year ended 31 March 2015 was that depreciation reduced by £514,000 and amortisation of intangible assets increased by £504,000. There has been no impact on group equity as at 1 April 2014 or 31 March 2015.

c. *Holiday pay accrual*

As required by section 28 of FRS 102, the group has recognised holiday pay accruals. Holiday pay accruals were not recognised under previous UK GAAP.

The impact in the SEG was to reduce group equity by £58,000, net of deferred tax as at 1 April 2014. There has been no impact on the group profit for the year ended 31 March 2015.

The impact in the RCAG was to reduce group equity by £17,000 as at 1 April 2014. During the year ended 31 March 2015, RCAG holiday pay accruals increased by £20,000.

The impact in the Patriot Aerospace group ("PAG") was to reduce group equity by £52,000, net of deferred tax as at 1 April 2014. During the year ended 31 March 2015, PAG holiday pay accruals increased by £23,000.

d. *Revalued properties*

In the SEG, certain properties were held at historic valuation. Under the transitional provisions of section 35 of FRS102, the previous fair value of the properties has been used as their deemed cost at the transition date. The impact as at 1 April 2014 was that revaluation reserves of £4,769,000 have been reclassified to profit and loss reserves. There was no impact on group equity of the reclassification.

In accordance with section 29 of FRS102, a deferred tax liability of £1,129,000 was recognised on the previously revalued assets, which reduced group equity by the same amount. Group profits for the year ended 31 March 2015 increased by £29,000, being the deferred tax reversal arising on depreciation of the previously revalued properties.

e. *Investment property - RCAG*

Prior to adopting FRS 102, all freehold and leasehold land and buildings owned by the airport operating companies were recognised at cost net of depreciation and included within property, plant and equipment. FRS 102 requires properties held to earn rentals and/or for capital appreciation to be recognised as investment properties and measured at fair value.

On transition to FRS 102, the group reclassified and measured investment property held at Exeter Airport and Coventry Airport at fair value resulting in a reclassification of £4,336,000 from property plant and equipment to investment property, and fair value gains of £5,246,000 being recognised in group equity as at 1 April 2014.

In accordance with section 29 of FRS102, a deferred tax liability of £1,760,000 has been recognised on the difference between the fair values and the historical cost (adjusted for indexation) of the investment properties, which reduced group equity as at 1 April 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

34. EXPLANATION OF TRANSITION TO FRS 102 (continued)

e. Investment property – RCAG (continued)

In June 2014, the group acquired Norwich Airport. As required by FRS102, the group reclassified and measured investment property held by Norwich Airport, resulting in a reclassification of £6,486,000 from property to investment property, and fair value gains of £4,779,000 being recognised in group equity as at June 2014.

Depreciation charges for the year ended 31 March 2015 reduced by £754,000 following the reclassification of certain properties from property to investment properties. Investment properties are not depreciated but are held at fair values.

The fair values of the Exeter, Norwich and Exeter airport investment properties were reviewed at 31 March 2015, resulting in a loss of £190,000 being recorded in the profit and loss account for the year ended 31 March 2015.

A group company, Legislator 1364 Limited has historically held an investment property. Under previous UK GAAP, changes in the fair value of the investment property were recorded in the Statement of Total Recognised Gains and Losses, with the total revaluation gain or loss shown separately on the balance sheet. Under FRS 102, changes in fair value of the investment property are recorded in the profit and loss account, resulting in a gain of £730,000 being recorded in the profit and loss account for the year ended 31 March 2015. There is no impact on group equity.

The profit and loss account for the year ended 31 March 2015 includes £83,000 of deferred tax charges arising on the investment properties.

f. Business combinations

Exeter Airport was acquired by the group in June 2013. In accordance with section 29 of FRS102, a deferred tax liability has been recognised on the difference between the fair values of assets and liabilities as at the date of acquisition and the amounts which will be deducted or assessed for tax in the future. A deferred tax liability of £2,098,000 arose, which reduced group equity as at 1 April 2014.

As a result of the adjustments to investment properties and deferred tax for Exeter Airport, the negative goodwill which arose on the acquisition has been adjusted. Group equity reduced by £854,000 as at 1 April 2014 due to the recognition of negative goodwill.

Norwich Airport was acquired by the group in June 2014. In accordance with section 29 of FRS102, a deferred tax liability has been recognised on the difference between the fair values of assets and liabilities as at the date of acquisition and the amounts which will be deducted or assessed for tax in the future. A deferred tax liability of £1,572,000 arose, which reduced group equity as at June 2014.

During the year ended 31 March 2015, the profit and loss account was credited with £292,000 of deferred tax which had arisen on the Exeter and Norwich Airport acquisitions.

As a result of the adjustments to the values as at the acquisition date of financial instruments, investment properties and deferred tax for Norwich Airport, negative goodwill of £1,650,000 arose as at June 2014, which decreased group equity. Negative goodwill credited to the profit and loss account during the year ended 31 March 2015 was £1,086,000.

The Eden Hotel Collection Group (“EHCG”) was acquired by the group in March 2013. In accordance with section 29 of FRS102, a deferred tax liability has been recognised on the difference between the fair values of assets and liabilities as at the date of acquisition and the amounts which will be deducted or assessed for tax in the future. A deferred tax liability of £3,049,000 arose, which reduced group equity as at 1 April 2014.

During the year ended 31 March 2015, the profit and loss account was credited with £72,000 of deferred tax which had arisen on the EHCG business combination.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

34. EXPLANATION OF TRANSITION TO FRS 102 (continued)

g. Non-Controlling interests

The non-controlling interest's share of the Norwich Airport FRS102 adjustments in the group profits and loss account were £265,000 for the year ended 31 March 2015. There was no impact on group equity as at 31 March 2015.

The non-controlling interest's share of the Patriot Aerospace FRS102 adjustments in the group profits and loss account were £5,000 for the year ended 31 March 2015. There was no impact on group equity as at 31 March 2015.

h. Defined benefit pension scheme

Exeter Airport operates a defined benefit pension scheme. Under previous UK GAAP, the interest on the expected return on plan assets was calculated using an expected asset rate. FRS 102 requires that the net interest on the net defined benefit liability is calculated using the liability discount rate for the scheme. This has no impact on shareholders equity on transition but affects the allocation of interest between the profit and loss account and other comprehensive income. As such there was a £22,000 increase in profit arising during the year ended 31 March 2015 from this adjustment with a corresponding decrease in other comprehensive income.

i. Hotel land and buildings

The group has utilised the FRS 102 transitional exemption that a first-time adopter may elect to measure certain items of property, plant and equipment on the date of transition to FRS 102 at its fair value and use that fair value as its deemed cost at that date. This transitional exemption has been adopted for hotel land and buildings within the Eden Hotel Collection group ("EHCG").

Hotel land and buildings are considered to have total fair values of £31,324,000 on the date of transition to FRS 102 (1 April 2014), compared to £31,324,000 per the previous financial statements prepared under old UK GAAP.

Under old UK GAAP, hotel land and buildings were not depreciated. Under FRS102, The depreciation policy for freehold property was changed to structural buildings being depreciated over 200 years and ancillary buildings depreciated being over 50 years under FRS 102. This resulted in additional depreciation charges in the year ended 31 March 2015 of £204,000.

j. Rotary aircraft valuation and depreciation

The group has utilised the FRS 102 transitional exemption that a first-time adopter may elect to measure certain items of property, plant and equipment on the date of transition to FRS 102 at its fair value and use that fair value as its deemed cost at that date. This transitional exemption has been adopted for rotary aircraft within the Patriot Aerospace group.

The fair values of the aircraft were reduced as at the transition date, which reduced group equity by £427,000 as at 1 April 2014. Impairment losses of £434,000 previously recognised on aircraft during the year ended 31 March 2015 have been reversed.

Under previous UK GAAP, aircraft had been capitalised and depreciated as whole aircraft rather than a sum of components within them, with major component replacements being expensed rather than capitalised. As part of the transition to FRS102, each aircraft type has been reviewed to identify the "Major Components" within them – these being defined as individually life limited parts or sub-assemblies that can be overhauled or replaced independently of the rest of the aircraft. Major components were mainly identified as rotor blades, engines, gearboxes and some other components for the larger aircraft, with the typical purchase price of each component or component type on each aircraft costing upwards of approximately £50,000 per aircraft.

The deemed cost as at 1 April 2014 was apportioned between the estimated net book value of all major components (based on the proportion of the way through their remaining lives), with the balance being assigned to Airframe (i.e. the basic hull of the aircraft plus minor components not individually capitalised).

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2016

34. EXPLANATION OF TRANSITION TO FRS 102 (continued)

j. Rotary aircraft valuation and depreciation (continued)

The depreciation for major components is now being calculated based on remaining component life (either remaining flying hours or calendar life available). Where replaced, the major components are disposed of and replaced with new components.

Where major components are covered by manufacturer backed Power by the Hour ("PBH") support agreements (where hourly service fees are paid in return for free replacements), the value of the PBH agreement is recognised by offsetting the depreciation that would otherwise be applied to the relevant components. Where PBH parts are replaced, the increasing PBH provision is used to "purchase" replacement parts as and when they become due. PBH agreements have readily ascertainable market values, which supports the carrying values on the balance sheet.

Depreciation for Airframes is now being applied on a straight line basis calculated based on the expected life of the asset.

The carrying value of aircraft are compared to market value, and aircraft are impaired where carrying values are in excess of market values.

In addition, spares have been reclassified to tangible fixed assets. As at 1 April 2014, £212,000 of spares were reclassified and a further £50,000 of spares were reclassified at 31 March 2015.

The revised depreciation policy resulted in maintenance costs of £115,000 being capitalised and additional depreciation charges of £674,000 being recognised during the year ended 31 March 2015. A deferred tax credit of £83,000 arose on the revised depreciation policy.

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