

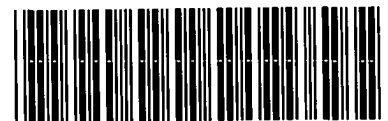
Rotary Building Services Limited

Report and financial statements

Registered number 1449438

31 December 2016

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Corporate information

Directors

T AbuZayyad
J Kurian
P M Mathew
P J Hughes

Secretary

I Rajakumar

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Bankers

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London
E14 5HP

Registered Office

Phoenix House
Lakeside Drive
Centre Park
Warrington
WA1 1RX



Strategic report

The Directors present their strategic report for the year ended 31 December 2016.

Review of the business

The Group's principal activities are building and engineering services, covering the following areas: heating, mechanical, electrical, ventilation, public health, air conditioning, data cabling, IT solutions, floodlighting, security systems, maintenance, facilities management, property development and design.

The Group's key financial and other performance indicators during the year were as follows:

	2016	2015	Change
	£000	£000	%
Turnover	47,632	55,607	-14%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	756	496	52%
Operating profit /(loss)	47	(230)	-120%
Loss after tax	(134)	(169)	-21%
Shareholders' deficit	(745)	(980)	-24%
Average number of employees	155	220	-30%

The Group achieved turnover of £47,632,000 (2015: £55,607,000), and generated operating profit of £47,000 (2015: Loss £230,000). The Group improved the earnings before interest, taxes, depreciation and amortisation (EBITDA) to £756,000 (2015: £496,000). The loss after tax reduced by 21% to £134,000 (2015: £169,000). The average number of employees reduced by 30%.

The improved margin was achieved as a result of the continuing restructuring works carried out during the recent years to improve the competitiveness of the Group.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as – competitive, legislative and financial instrument risk.

Competitive Risks

The economic environment continues to make winning work at reasonable margins challenging. The Group however rigorously maintains its risk management procedures to ensure that the Group does not take on any projects that are classified as high risk.

The commercial term and policy are regularly updated to reflect the new challenges that arise from the changing market.

Strategic report (continued)

Legislative Risks

The Group is subject to various construction industry specific legislations such as health and safety at the construction site, subcontractors tax, etc. In addition compliance imposes costs and failure to comply with the standards could materially affect the Group's ability to operate. The Group has in-house legal expert to mitigate this risk.

Financial Instrument Risks

The Group has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Exposure to price, credit, liquidity and cash flow risk

Price risk arises on some of the long-term contracts where the price is fixed at the time of the contract award, any significant increase in the cost of sales such as labour and material will affect the Group's profitability. The Group mitigates this risk by bulk purchase agreements.

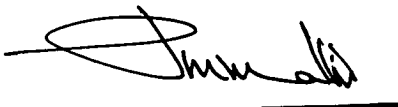
The margins continue to be squeezed from all levels of the supply chain making insolvency a high risk at client level as well as sub-contractor / supplier level. The Group is therefore vigorously maintaining compliance with its stringent credit criteria both up line and down line.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The Group aims to mitigate liquidity and cash flow risk by managing cash generation by its operations, applying cash collection targets throughout the Group.

Events since the balance sheet date

There are no material events since the balance sheet date that require adjustment or disclosure in the financial statements.

By order of the Board



P M Mathew
Director

Phoenix House
Lakeside Drive
Centre Park
Warrington
WA1 1RX
20 March 2017



Directors report

The Directors present their Directors' report and the consolidated financial statements for the year ended 31 December 2016.

Directors of the Company

The directors who held office during the period were as follows:

T AbuZayyad
J Kurian
P M Mathew
P J Hughes

Dividend

No dividend was paid during the year by the company (2015:Nil).

Future Developments

The future looks promising with the current healthy workload especially in the London market. The Group continues to streamline the internal process and improve the internal control system, this will bring in better control and cost savings in the future for the Group to be competitive in the market.

Events since the balance sheet date

There are no material events since the balance sheet date that require adjustment or disclosure in the financial statements.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities for the Group of £13,108,000 (2015:£11,700,000) and for the Company of £13,108,000 (2015: £11,700,000) and net liabilities for the Group of £745,000 (2015: £980,000) and for the Company of £745,000 (2015: £980,000), which the Directors believe to be appropriate for the following reasons:

The Company and Group are dependent for its working capital on funds provided to it by the parent company. The Company's parent entity, Lorne Stewart Plc has provided the Company and Group with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and Group, and in particular will not seek repayment of the amounts currently payable, unless the Company has funds available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other Group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Directors' report *(continued)*

Fixed assets

The Group is committed to a process of continual modernisation and investment in technology and specialist equipment to help improve its productivity.

Financial Risks

Refer the Group strategic report for the management's view on financial risk covering price risk, credit risk, liquidity risk and cash flow risk.

Directors Liabilities

The Group has a qualifying third party indemnity insurance provision for the benefit of the board directors which were in place throughout the year and remain in place at the date of this report.

Political and charitable donations

During the year the Group did not make any donations (2015: £nil). The Group has not made any political donations or incurred any political expenditure during the year.

Safety, Health, Environment & Quality (SHEQ)

The Group's dedication to providing a safe working environment for its staff has been recognised at the highest levels of achievement by the award of the coveted Order of Distinction by ROSPA.

RBS achieved accreditation to ISO 9001:2015 Quality. Internal auditing has improved in line with the standard and the Company is embarking on the route to ISO 14001:2015 Environment and OHSAS 18001 Health & Safety.

Training remains a priority for all our staff via accreditation to deliver IOSH Working and IOSH Managing Safely for our operational staff. Senior executives complete the in house IOSH Safety for Senior Executives course.

Training

Training using in house experts and using external providers continues to be carried out in Human Resources, Health & Safety, Engineering and Management skills. Management team have access to one to one training and online toolkits and management guides.

In house training sessions are provided to ensure management are up to date in order to support the business and employees.

Apprentice development is being increased nationwide for our future technical workforce.

Employee involvement

Branch meetings are conducted regularly to ensure employees are kept up to date with the Group news, new legislations and this also includes tool box talks. The Group magazine 'Touchline' continues to update the employees with news within the business.

Employees take part in activities for the Group's chosen charity 'Barnardo's' and also encouraged to participate directly in the success of the business through the performance based bonus scheme and achievement awards.

The Group has an intranet where employees are encouraged to visit to ensure they are kept abreast with the Group news.

Directors' report *(continued)*

Employment of disabled persons

The Directors are fully committed in supporting the employment disabled people and to support current employees by continuously seeking to ensure career progression takes place and that working conditions are always improved.

Equal opportunities

The group is an equal opportunities employer and it ensures that it is committed that all legislation and codes of practice are adhered too. All the Group policies and procedures are in line with the Equalities Act.

The group is opposed to any form of discrimination on the grounds of race, colour, ethnic or national origin, sex or marital status, disability, age or any other factors that lead to employees being disadvantaged by conditions or requirement.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will continue in the office.

By order of the Board



I Rajakumar
Secretary

Phoenix House
Lakeside Drive
Centre Park
Warrington
WA1 1RX
20 March 2017

Directors' Responsibilities Statement

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

The Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Company financial statements in accordance with FRS 102 "The Financial Reporting standards applicable in the UK and Republic of Ireland" and applicable law.

Under the 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 their profit or loss for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Rotary Building Services Limited

We have audited the financial statements of Rotary Building Services Limited for the year ended 31 December 2016 which comprise of the Group Income Statement, Group Statement of Comprehensive Income, Group and Parent Statement of Financial Position, Group and Company Statement of Changes in Equity and the related notes 1 to 26. 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 FRS 102 "The financial Reporting Standard applicable in the UK and Republic of 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 set out on pages 7, 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 group's and the parent 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 report and financial statements to identify material inconsistencies with the audited financial statements and 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 of the Parent Company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland.
- ▶ 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, based on the work undertaken in the course of the audit:

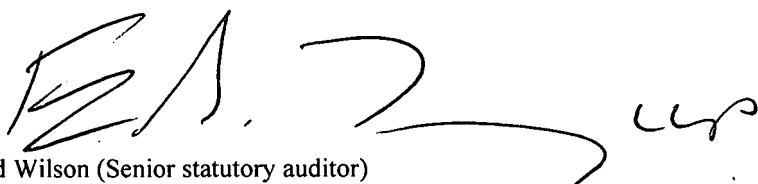
- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.



David Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2017

Group Income Statement
for the year ended 31 December 2016

	<i>Note</i>	2016	2016	2015	2015
		£000	£000	£000	£000
Group Turnover	2		47,632		55,607
Cost of sales			(44,908)		(50,993)
Gross profit			<u>2,724</u>		<u>4,614</u>
Administrative expenses	3	(2,066)		(4,233)	
Goodwill amortisation		(611)		(611)	
Administrative expenses			<u>(2,677)</u>		<u>(4,844)</u>
Group operating profit / (loss)	3-5		47		(230)
Profit on sale of fixed assets	10		3		36
Interest receivable and similar income	6		1		19
Other finance income	7		35		30
Profit / (Loss) on ordinary activities before taxation			<u>86</u>		<u>(145)</u>
Tax on profit / (loss) on ordinary activities	8		(220)		(24)
Loss for the year			<u>(134)</u>		<u>(169)</u>

All results are derived from continuing operations.

Group Statement of Comprehensive Income
for the year ended 31 December 2016

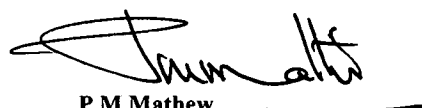
		2016	2015
		£000	£000
Loss for the financial year		(134)	(169)
Actuarial gain / (loss) on pension schemes	<i>24</i>	241	(28)
Deferred tax on the actuarial (gain)/ loss	<i>16</i>	(41)	11
Effect of decrease in deferred tax rate	<i>16</i>	12	-
		<hr/>	<hr/>
Total gain / (loss) relating to the year		78	(186)
		<hr/>	<hr/>

Group Statement of Financial Position

At 31 December 2016

	Note	2016	2016	2015	2015
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		1,682		1,647
Goodwill	12		9,479		10,090
			<u>11,161</u>		<u>11,737</u>
Current assets					
Inventory		128		-	
Debtors : amounts falling due within one year	14	10,308		11,075	
: amounts falling due after one year	14	3,395		3,103	
		<u>13,831</u>		<u>14,178</u>	
Cash at bank and in hand	15	2,798		4,356	
		<u>16,629</u>		<u>18,534</u>	
Creditors: amounts falling due within one year	17	(29,737)		(30,234)	
Net current liabilities			<u>(13,108)</u>		<u>(11,700)</u>
Total assets less current liabilities			<u>(1,947)</u>		<u>37</u>
Creditors: amounts falling due after more than one year	18		-		(1,900)
Pension asset	24		1,202		883
Net liabilities			<u>(745)</u>		<u>(980)</u>
Capital and reserves					
Share capital	21		-		-
Profit and loss account			(902)		(980)
Revaluation Reserve			157		-
Shareholders' funds			<u>(745)</u>		<u>(980)</u>

These financial statements were approved by the Board of Directors on 20 March 2017 and were signed on its behalf by:



P M Mathew
Director

Parent company Statement of Financial Position

At 31 December 2016

	Note	2016	2016	2015	2015
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		1,682		1,647
Goodwill	12		9,479		10,090
Investments	13				-
			<u>11,161</u>		<u>11,737</u>
Current assets					
Inventory		128		-	
Debtors : amounts falling due within one year	14	10,308		11,075	
: amounts falling due after one year	14	3,395		3,103	
		<u>13,831</u>		<u>14,178</u>	
Cash at bank and in hand	15	2,798		4,356	
		<u>16,629</u>		<u>18,534</u>	
Creditors: amounts falling due within one year	17	(29,737)		(30,234)	
Net current liabilities			<u>(13,108)</u>		<u>(11,700)</u>
Total assets less current liabilities			<u>(1,947)</u>		<u>37</u>
Creditors: amounts falling due after more than one year	18		-		(1,900)
Pension asset	24		<u>1,202</u>		<u>883</u>
Net liabilities			<u>(745)</u>		<u>(980)</u>
Capital and reserves					
Share capital	21		-		-
Profit and loss account			(1,725)		(1,812)
Revaluation Reserve			980		832
Shareholders' funds			<u>(745)</u>		<u>(980)</u>

These financial statements were approved by the Board of Directors on 20 March 2017 and were signed on its behalf by:


P M Mathew
Director

Group and Company Statement of changes in equity
for the year ended 31 December 2016

Group

	Revaluation reserve	Share capital	Profit and loss account	Total
	£000	£000	£000	£000
Loss for the year	-	-	(134)	(134)
Actuarial gain on pension schemes (net of deferred tax)	-	-	212	212
Net gain from revaluation of fixed assets	157	-	-	157
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase to shareholders' funds	157	-	78	235
As at 1 January 2016	-	-	(980)	(980)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2016	157	-	(902)	(745)
	<hr/>	<hr/>	<hr/>	<hr/>

Company

	Revaluation reserve	Share capital	Profit and loss account	Total
	£000	£000	£000	£000
Loss for the year	-	-	(134)	(134)
Actuarial gain on pension schemes (net of deferred tax)	-	-	212	212
Net gain from revaluation of fixed assets	157	-	-	157
Transfer	(9)	-	9	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase to shareholders' funds	148	-	87	235
As at 1 January 2016	832	-	(1,812)	(980)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2016	980	-	(1,725)	(745)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements *(forming part of the financial statements)*

1 Accounting policies

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2016.

Statement of compliance

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2016.

Basis of preparation

The financial statements of Rotary Building Services Limited were authorised for issue by the Board of Directors on 20 March 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000. As the company's results are consolidated as part of Lorne Stewart Plc, the Company has taken exemption available under FRS102.1.12 of not preparing Cash flow statement.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. No income statement is presented for Company as permitted by section 408 of the Companies Act 2006. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities for the Group of £13,108,000 (2015:£11,700,000) and for the Company of £13,108,000 (2015: £11,700,000) and net liabilities for the Group of £745,000 (2015: £980,000) and for the Company of £745,000 (2015: £980,000), which the Directors believe to be appropriate for the following reasons:

The Company and Group are dependent for its working capital on funds provided to it by the parent company. The Company's parent entity, Lorne Stewart Plc has provided the Company and Group with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and Group, and in particular will not seek repayment of the amounts currently payable, unless the Company has funds available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other Group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Notes (continued)

1 Accounting policies (continued)

Revenue Recognition

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and costs are recognised over the period of the contract by reference to the stage of completion using the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. In determining the stage of completion the Group has efficient, co-ordinated systems for cost estimating, forecasting and revenue and costs reporting. The system also requires a consistent judgment (forecast) of the final outcome of the project, including variance analyses of divergences compared with earlier assessment dates. Estimates are an inherent part of this assessment and actual future outcome may deviate from the estimated outcome, specifically for major and complex construction contracts. However, historical experience has also shown that estimates are, on the whole, sufficiently reliable.

Claims Receivable

In the normal course of business the Group recognises amounts receivable in connection with claims for completed work due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Project related claims on principals are recognised when it is probable that the claim amount will be received. Insurance claims can be recognised only if it is virtually certain that the amount recognised will be received.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 23.

Useful life of Goodwill

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes (continued)

1 Accounting policies (continued)

- **Impairment of non-financial assets**

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

- **Taxation**

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

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

- **Revaluation of tangible fixed assets**

Land and buildings are recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of the revaluation. Fair value is based on periodic valuations by an external independent valuer and is determined from market-based evidence by appraisal. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

Investments

In the Company's financial statements, investments in subsidiary undertakings are accounted for at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Cost includes costs directly attributable to making the asset capable of operating as intended. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Depreciation is provided to write off the cost less the estimated residual value by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	10%
Plant and machinery(including computers)	25%
Fixtures and fittings	10%
Motor vehicles	20%-50%
Freehold buildings	2%

No depreciation is provided on freehold land.

Goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life. Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination. If a subsidiary or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the income statement is taken into account in determining the profit or loss on sale or discontinuance. Discounted Cash flow projection has been used to perform annual impairment assessment of Goodwill. The discount rate is based on cost of capital.

As part of a rationalisation of the Group in earlier years, the trade and net assets of the subsidiary undertakings were transferred to the Company at their book value. The cost of the Company's investment in those subsidiary undertakings reflected the underlying fair value of its net assets and goodwill at the time of its acquisition. As a result of this transfer, the value of the Company's investment in those subsidiary undertakings fell below the amount at which it was stated in the Company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's income statement. However, the Directors consider that, as there had been no overall loss to the Group, it would fail to give a true and fair view to charge the diminution to the Company's income statement and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the Company's individual balance sheet the effective cost to the Company of those net assets and goodwill. The effect on the Company's balance sheet of this departure is to recognise goodwill of £9.5m (2015: £10.01m).

Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates, the recoverable amount of the cash- generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in income statement unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Notes (continued)

1 Accounting policies (continued)

Inventory

Group is undertaking property development activities on some of its own land and building. The cost incurred during the development stage are included within the inventory at lower of cost or net realisable value.

Equity investments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

When shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, but only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Notes (continued)

1 Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Rentals payable under operating leases are charged against operating profit on a straight line basis over the period of the lease. Lease incentives are recognised over the lease term on a straight line basis.

Post-retirement benefits

The Group contributes to various defined contribution pension schemes for its employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period.

The Group also operates a defined benefit pension scheme, providing benefits based on final pensionable pay which require contributions to be made to a separately administered fund. The pension costs are accounted for in accordance with FRS 102. This scheme is now closed for future accrual from 1 October 2012.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to income statements in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Revenue Recognition

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts and VAT.

Notes (continued)

1 Accounting policies (continued)

Construction contracts

A construction contract is defined as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- Total contract revenue can be measured reliably;
- It is probable that the economic benefits associated with the contract will flow to the Group;
- Both the contract costs to complete and the stage of contract completion at the end of the reporting period can be measured reliably; and
- The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by dividing the actual costs by the total forecasted costs. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method', to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Revenue from the contracts is recognised by reference to the stage of completion. Stage of completion is measured by reference to cost incurred to date as a percentage of total forecast cost for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Any expected losses are accounted in full, immediately they become apparent.

Where turnover in respect of long-term contracts exceeds payments on account, that excess is separately disclosed in debtors as 'Amounts recoverable on contracts'. Payments received on account in excess of turnover are classified as 'Payments received on account' and separately disclosed within creditors.

Services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest Income

Revenue is recognized as interest accrues using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

1 Accounting policies (continued)

Loan Notes

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost. Loan notes that are receivable within one year are not discounted.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Debtors and creditors after one year are discounted based on amortised cost method using the effective interest rate. Any losses arising from impairment are recognised in the income statement in other operating expenses.

2 Turnover and segmental information

Turnover represents the net recoverable value of work completed on contracts in the year, together with the net invoiced value of sales of other goods and services, excluding value added tax. Turnover is attributable to one class of business, the provision of building and engineering services, including facilities management. The Group operates within the United Kingdom only.

3 Notes to the income statement

Group

Operating loss is from the operations and is stated after charging:

	2016	2015
	£000	£000
Depreciation of owned assets	98	115
Amortisation of goodwill	611	611
Hire of plant and machinery	365	253
Operating lease rentals – Land and building	136	143
	<u> </u>	<u> </u>

Auditors' remuneration:

	2016	2015
	£000	£000
Audit of these financial statements	26	26
<i>Disclosures below based on amounts receivable in respect of services to the Company and its subsidiaries</i>		
Audit of financial statements of subsidiaries of the Company:	2	2
	<u> </u>	<u> </u>

Notes to the financial statements (continued)

4 Remuneration of Directors

Company

	2016	2015
	£000	£000
Directors' emoluments	-	217
Contribution to money purchase pension scheme	-	49
	<u>=====</u>	<u>=====</u>
In respect of the highest paid Director: Aggregate emoluments	-	171
	<u>=====</u>	<u>=====</u>
	Number of Directors	
	2016	2015
The number of Directors in money purchase pension schemes during the year	-	2
	<u>=====</u>	<u>=====</u>

In 2016, all the directors of the Company are also directors of Lorne Stewart Plc, the Parent Company. Directors remunerations is paid by Lorne Stewart Plc and has been disclosed in the statutory accounts of Lorne Stewart Plc. Their remuneration is subsumed within the Management charges levied by Lorne Stewart Plc, but the amount is not separately identified within this recharge.

In 2015, Two directors who were remunerated by Company, left the Company and three directors of the Company were also directors of Lorne Stewart Plc. Their remuneration was subsumed within the Management charges levied by Lorne Stewart Plc, but the amount was not separately identified within this recharge.

5 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Office and management	76	108
Production and sales	79	112
	<u>=====</u>	<u>=====</u>
	155	220
	<u>=====</u>	<u>=====</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	7,604	8,937
Social security costs	805	943
Pension cost	121	191
	<u>=====</u>	<u>=====</u>
	8,530	10,071
	<u>=====</u>	<u>=====</u>

6 Interest receivable and similar income

	2016	2015
	£000	£000
Bank interest receivable	3	18
Exchange (loss) / gain	(2)	1
	<u>=====</u>	<u>=====</u>
	1	19
	<u>=====</u>	<u>=====</u>

Notes to the financial statements (continued)

7 Other finance income

	2016	2015
	£000	£000
Net interest income	35	30
	<u>35</u>	<u>30</u>

8 Taxation

Group

Tax on profit on ordinary activities

	2016	2015
	£000	£000
<i>Current tax</i>		
UK corporation tax	50	-
Group relief	-	(231)
Prior year adjustments	(11)	(9)
Total current tax charge	<u>39</u>	<u>(240)</u>
<i>Deferred tax (see note 16)</i>		
Origination/reversal of timing differences	90	169
Adjustment in respect of prior period	(3)	40
Effect of tax rate change on opening balance	94	55
Total deferred tax charge	<u>181</u>	<u>264</u>
Tax on profit on ordinary activities	<u>220</u>	<u>24</u>

Factors affecting the tax for the current year

The tax for the year is higher (2015: lower) than the standard average rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016	2015
	£000	£000
<i>Current year tax reconciliation</i>		
Profit / (Loss) on ordinary activities before tax	86	(145)
Current tax at average rate of 20% (2015: 20.25%)	17	(29)
<i>Effects of:</i>		
Expenses / (income) not deductible for tax	126	134
Fixed assets difference	19	12
Amount charged to other comprehensive income	19	5
Adjustments in respect of previous periods	(15)	31
Effect of change in tax rate on deferred tax	157	86
Chargable gain	-	16
Deferred tax not recognised	(103)	(231)
Tax on profit on ordinary activities (see above)	<u>220</u>	<u>24</u>

Notes to the financial statements (continued)

Taxation (continued)

Factors affecting the tax charge in future years

A reduction in the corporation tax rate was substantively enacted, reducing the tax rate from 20% to 19% effective 1 April 2017 and from 19% to 17% effective 1 April 2020. The effect of the rate reduction on the deferred tax balances as at 31 December 2016 has been included in the figures above.

There are no proposed changes to further reduce the main rate of corporation tax below 17% at this stage.

9 Loss attributable to members of the parent undertaking

The loss in respect of the parent undertaking (company) for the year ended 31 December 2016 was £134,000 (2015: £169,000).

10 Profit on sale of fixed assets

Group	2016	2015
	£000	£000
Profit on sale of fixed assets	3	36

11 Tangible fixed assets

Group	Leasehold improvements	Freehold land and buildings	Plant and machinery	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	358	1,570	158	119	2,205
Additions	-	-	51	-	51
Movement on Revaluation	-	157	-	-	157
Transfer to inventory	-	(74)	-	-	(74)
Disposals	-	-	(3)	-	(3)
At end of year	358	1,653	206	119	2,336
Depreciation					
At beginning of year	196	101	142	119	558
Charge for year	54	26	18	-	98
On disposals	-	-	(2)	-	(2)
At end of year	250	127	158	119	654
Net book value					
At 31 December 2016	108	1,526	48	-	1,682
At 31 December 2015	162	1,469	16	-	1,647

Notes to the financial Statements (continued)

11 Tangible fixed assets (continued)

Company	Leasehold improvements £000	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	358	1,570	158	119	2,205
Additions	-	-	51	-	51
Movement on Revaluation	-	157	-	-	157
Transfer to inventory	-	(74)	-	-	(74)
Disposals	-	-	(3)	-	(3)
At end of year	358	1,653	206	119	2,336
Depreciation					
At beginning of year	196	101	142	119	558
Charge for year	54	26	18	-	98
On disposals	-	-	(2)	-	(2)
At end of year	250	127	158	119	654
Net book value					
At 31 December 2016	108	1,526	48	-	1,682
At 31 December 2015	162	1,469	16	-	1,647

During the year the group carried out revaluation of its land and building and the net movement on revaluation is a increase of £157,000 at the Group and at the Company.

The Group and the Company transferred a sum of £74,000 from land and building to inventory (property under development)

The freehold properties were valued by Everett Newlyn, Chartered Surveyors with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property, as at 31 December 2016, on the basis of open market value in accordance with the Appraisal and Valuation standards of The Royal Institution of Chartered Surveyors.

Notes to the financial statements (continued)

12 Goodwill

Group and Company	Total £000
<i>Cost</i>	
At beginning of year	12,160
	-
At end of year	12,160
<i>Amortisation</i>	
At beginning of year	2,070
Charged in year	611
At end of year	2,681
<i>Net book value</i>	
At 31 December 2016	9,479
At 31 December 2015	10,090

The Directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Following a review of the useful life of the goodwill associated with the acquisition of the Rotary companies, the Directors have estimated the useful economic life as 20 years based on the current UK construction industry outlook and Rotary Companies strength. The amount of capitalised goodwill will be written off over the remaining life of 16 years.

13 Investments

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Unlisted investments	-	-	-	-

Investments are valued at cost less any provision for impairment. The list of subsidiary companies are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held	
			Group	Company
<i>Subsidiary undertakings</i>				
Fibutex Ltd	England	Dormant	100% Equity	100% Equity
Rotary North West Ltd	England	Building Services	100% Equity	100% Equity
Rotary Yorkshire Ltd	England	Building Services	100% Equity	100% Equity
Rotary Southern Ltd	England	Building Services	100% Equity	100% Equity
CA Sothers (Holdings) Ltd	England	Dormant	100% Equity	100% Equity
Sothers Building Services Ltd	England	Dormant	100% Equity	100% Equity
<i>Subsidiary undertakings of CA Sothers (Holdings) Ltd</i>				
CA Sothers Ltd	England	Building Services	100% Equity	-

Notes to the financial statements *(continued)*

14 Debtors

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade debtors	5,154	6,368	5,154	6,368
Gross amount due from customers for contract works	7,133	6,523	7,133	6,523
Prepayments and accrued income	168	36	168	36
Deferred tax assets (see note 16)	683	893	683	893
Other debtors	565	358	565	358
	<u>13,703</u>	<u>14,178</u>	<u>13,703</u>	<u>14,178</u>

Amounts falling due after more than one year included above are:

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade debtors	2,712	2,210	2,712	2,210
Deferred tax assets	683	893	683	893
	<u>3,395</u>	<u>3,103</u>	<u>3,395</u>	<u>3,103</u>

Notes to the financial statements *(continued)*

15 Cash in bank and hand

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
At 1 January 2016	4,356	4,328	4,356	4,328
Net Cash Flow in year	(1,558)	28	(1,558)	28
At 31 December 2016	2,798	4,356	2,798	4,356

16 Deferred tax

Group and Company

The movement in the deferred taxation asset during the current year is as follows:

	Group £000	Company £000
At 1 January 2016	893	893
Movement during year:		
Accounted for in the Income Statement	(181)	(181)
Accounted for in the Statement of Comprehensive Income	(29)	(29)
At 31 December 2016	683	683

The deferred taxation included in the financial statements is as follows:

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Accelerated capital allowances	(49)	(35)	(49)	(35)
Pension related	(204)	(168)	(204)	(168)
Other timing differences	12	30	12	30
Tax and losses carried forward	924	1,066	924	1,066
	683	893	683	893

The Group holds tax losses of £9,682,000 (2015: £9,950,000) available for carry forward and offset within individual subsidiaries' future taxable profits arising from the same trade. As a result of these losses the Group has a potential deferred tax asset of £1,646,000 of which £722,000 (2015: £824,000) which has not been recognised in these financial statements as its future recovery is uncertain. This potential deferred tax asset will be recognised when it can be regarded as more likely than not that there will be sufficient taxable profits from which tax losses can be deducted.

Notes to the financial statements *(continued)*

17 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade creditors	10,361	13,780	10,361	13,780
Amount owed to group companies (net)	15,290	12,822	15,290	12,822
Amount owed to related party	28	71	28	71
Accruals	3,257	2,829	3,257	2,829
Other creditors, taxation and social security	751	732	751	732
Corporation tax	50	-	50	-
	<u>29,737</u>	<u>30,234</u>	<u>29,737</u>	<u>30,234</u>

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Amounts owed to parent undertakings	-	1,900	-	1,900
	<u>-</u>	<u>1,900</u>	<u>-</u>	<u>1,900</u>

Notes to the financial statements *(continued)*

19 Other financial commitments

At 31 December 2016, the Group had annual commitments under operating leases as set out below:

	2016	2015
	£000	£000
Operating leases which expire:		
Between two and 5 years	136	-
Over 5 years	-	136
	<u>136</u>	<u>136</u>

21 Called up share capital

	2016	2015
	£	£
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

22 Contingent liabilities

In the ordinary course of business, the Group is occasionally required to take out performance bonds with respect to some of its contracts.

23 Capital commitments

At 31 December 2016, the Group had no capital commitments (2015 £ nil) relating to planned capital expenditure.

Notes to the financial statements (continued)

24 Pension scheme

(a) FRS102

The Group operates a defined benefit pension scheme, the Rotary Group Limited Retirement Benefits Plan which is funded by contributions to a separately administered trust fund, and is exempt approved. The scheme was acquired on 3 August 2012 alongside the Rotary acquisition, and is a multi-employer scheme.

An independent actuary has calculated the value of the liabilities at 31 December 2016 by carrying out a full valuation of the liabilities of the Scheme as at the accounting date. The contributions made to the scheme by the Company in the accounting period were £43,000. The Scheme is closed for future accrual from 1 October 2012.

	2016	2015
	£000	£000
Present value of funded defined benefit obligations	(9,802)	(9,406)
Fair value of plan assets	11,004	10,289
Surplus	1,202	883
Related deferred tax asset	(204)	(168)
Net surplus	998	715

Movements in present value of defined benefit obligation

	2016	2015
	£000	£000
At 1 January	9,406	9,767
Interest cost	340	354
Actuarial loss /(gain)	1,201	(329)
Benefits paid	(1,145)	(386)
At 31 December	9,802	9,406

Movements in fair value of plan assets

	2016	2015
	£000	£000
At 1 January	10,289	10,518
Expected return on plan assets	375	384
Actuarial gain/ (loss)	1,442	(357)
Contributions by employer	43	130
Benefits paid	(1,145)	(386)
At 31 December	11,004	10,289

Notes (continued)

24 Pension scheme (continued)

Expense recognised in the income statement

	2016	2015
	£000	£000
Net interest (credit)	35	(30)
	<hr/>	<hr/>
Total	35	(30)
	<hr/>	<hr/>

The income is recognised in the following line items in the income statement:

	2016	2015
	£000	£000
Other financial income	35	(30)
	<hr/>	<hr/>
	35	(30)
	<hr/>	<hr/>

The fair value of the plan assets and the return on those assets were as follows:

	2016	2015
	Fair value £000	Fair value £000
Equity	2,726	2,682
Bond	4,798	4,379
Gilts	3,494	3,138
Cash and net current liabilities	(14)	90
	<hr/>	<hr/>
	11,004	10,289
	<hr/>	<hr/>
Actual return on plan assets	1,817	27

Notes (continued)

24 Pension scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2016	2015
	%	%
Discount rate	2.80	3.85
Future salary increases	-	n/a
Other material assumptions:		
- RPI Inflation max 5.0 %	2.80	2.80
- CPI inflation max 3.0 %	1.80	1.70

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 86 years (male), 89 years (female).
- Future retiree upon reaching 65: 88 years (male), 90 years (female).

History of plans

The history of the plans for the current and prior periods is as follows:

Group Balance sheet

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	£000	£000	£000	£000
Present value of scheme liabilities	(9,802)	(9,406)	(9,767)	(9,223)
Fair value of scheme assets	11,004	10,289	10,518	9,564
Surplus	1,202	883	751	341

Experience adjustments

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
	£000	£000	£000	£000
Experience adjustments on scheme liabilities	(71)	62	36	(40)
Amount as a percentage of scheme liabilities	-0.72%	0.66%	-0.37%	-0.43%
Experience adjustments on scheme assets	1,442	(357)	709	44
Amount as a percentage of scheme assets	13.10%	-3.47%	6.74%	0.46%

The Group and Company do not expect any contribution to the scheme in the next financial year.

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. The expected return on the Diversified growth fund has been selected by reference to the fund's target.

Notes (continued)

24 Pension scheme (continued)

(b) Defined contribution scheme

The Company operates a variety of defined contribution scheme for staff. The assets of these schemes are held separately from those of the Company in independently administered funds. Contribution paid during the year was £121,000 (2015: £191,000). The unpaid employer's contributions outstanding at the year end were £3,000 (2015: £9,720).

25 Related Party Disclosures

The Group enters into sales and purchase transactions with related companies. Those transactions are under terms that are no less favourable than those arranged with third parties.

	Relationship	Nature of transaction	2016	2015
			£000	£000
Transactions made during the year				
Rezayat Europe Ltd	Common directors	Consultancy charges	-	-
			<hr/>	<hr/>
			-	-
			<hr/>	<hr/>
Amount due to at the year end				
Rezayat Europe Ltd	Common directors	Consultancy charges	28	71
			<hr/>	<hr/>
			28	71
			<hr/>	<hr/>

26 Parent undertaking and controlling party

The Company's immediate parent undertaking is Lorne Stewart Plc incorporated and registered in England. The result of this Group are consolidated within Rotary Building Services Ltd, whose accounts are publically available from Stewart House, 420 Kenton Road, Harrow, Middlesex HA3 9TU.

The ultimate controlling party is Lafayette Investments Limited (registered in Jersey), whose accounts are exempt from consolidation and not publically available.