Rotary Building Services Limited

Report and consolidated financial statements

Registered number 1449438

31 December 2013

Contents

Company information

Directors

T AbuZayyad
P M Mathew
J Kurian
P S Laidlaw (appointed on 6 December 2013)
M J Atkins (appointed on 10 December 2013)

P J Hughes (appointed on 17 January 2014)
P Briars (appointed on 30 January 2014)

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 2013.

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 and design.

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

	2013	2012	Change
	£000	£000	%
Group turnover	**60,668**	**45,583**	33.09%
Operating loss	**(1,570)**	**(1,523)**	3.09%
Loss after tax	**(383)**	**(50)**	n/a
Shareholders' funds	**(354)**	**44**	n/a
Average number of employees	**275**	**378**	(27.25)%

The Group achieved turnover of £60.67m and suffered a loss after tax of £383,000 in 2013, with the first twelve months of trading results from the recently acquired Rotary companies. The average number of employees reduced by 27.25%, as a result of the reduced volume and ongoing restructuring.

The current year results suffered due to lack of quality construction works as well as the cost of various restructuring works carried out during the year to improve the competitiveness of the group.

Competitive Risks

The recession continues to bite, making 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 team and policy is regularly updated to reflect the new challenges that arise from the changing market.

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. Group has effective internal controls to mitigate this risk.

Strategic report *(continued)*

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 group's profitability, group mitigate this risk by bulk purchase agreements.

The tightening of the market is squeezing margins 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. The group aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the group.

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.

By order of the board

P M Mathew
Director

Phoenix House
Lakeside Drive
Centre Park
Warrington
WA1 1RX
5th March 2014

ROTARY

Directors report

The directors present their directors' report and the consolidated financial statements for the year ended 31 December 2013.

Directors of the company

The current directors are shown in page 1. The following new directors were appointed during the year:

P S Laidlaw (appointed on 6 December 2013)
M J Atkins (appointed on 10 December 2013)
P J Hughes (appointed on 17 January 2014)
P Briars (appointed on 30 January 2014)

Dividend

During the year the company did not pay any dividend.

Future Developments

The recent strategic acquisition of the Rotary companies has enabled the group to grow and diversify its customer base in a highly competitive market. As part of the group restructuring, all the Rotary companies were hived up to have a strong and simple operating entity going forward. Group continue 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 is no material event since the balance sheet date.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities for the group of £13,748,000 *(2012: £10,911,000)*, and for the company of £13,748,000 *(2012: £366,000)*, 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 a related group company. This company 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 made 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.

Political and charitable donations

During the year the group did not make any donations *(2012: £nil)*.The group has not made any political donations or incurred any political expenditure during the year.

Health and safety

The group is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike. Processes and procedures have been streamlined in line with all companies within the group. The group is anticipating achievement of a Rospa Sword of Honour for Rotary North West, and anticipates a further Presidents Awards for both Rotary Southrn and Rotary Yorkshire, whilst CA Sothers should achieve the Gold award.

Quality management

The group will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. Group has complied with all applicable legislation and regulations. The group will in 2014 standardise their respective ISO standards across the business. Rotary Southern, Rotary North West and CA Sothers Ltd all have the ISO9001 accreditation. A business management system for the group has been compiled based on the entire ISO operating systems (ISO9001, ISO18001, and ISO14001) and will be rolled out in 2014 to standardise not only the quality aspects of business management but also Health and Safety and Environmental management.

Training

The Group is committed to on-going training for all levels of employees, both in Technology, Health and Safety and Management Skills, and continues to support and train for apprentices who have been given recognition at national levels. Our training and development policies are constantly reviewed to mirror our needs in a challenging and developing market place.

The Group's in house Academy which has a wide range of development opportunities for our staff. Management toolkits have been added to the academy to ensure managers have instant guidelines available as and when needed. In addition, several in-house training sessions have been provided to managers to equip them with up to date employment/management skills.

The Group strive to be seen as an employer of choice in its industry and 2013 saw further investment to underpin the Group's recognition of and commitment to offering comprehensive personal development opportunities.

Employee involvement

We provide employees with information about the Group which we achieve through regular discussions with employees, including meetings at branch and divisional level and the publication of the wider group's In-House magazine 'Touchline' and local toolbox talks.

Employees at all levels are encouraged to participate directly in the success of the business through the profit related bonus scheme and achievement awards. We also participate in the Barnado's charity which allows the employees nationally to get involved to make a difference.

Directors' report *(continued)*

Employment of disabled persons

The Directors support the promotion of equality of opportunity between disabled people and others in respect of all employment matters whilst continuously seeking to improve working conditions and career progression for disabled staff.

Equal opportunities

The Group is an equal opportunity employer and is opposed to any form of discrimination on the grounds of race, colour, ethnic or national origin, sex or marital status, disability, age or other factors that lead to employees being disadvantaged by conditions or requirements.

The Group is committed to implementing the requirements of all Legislation and Codes of Practice. We also operate policies of non-discrimination for any factors that may lead to employees being disadvantaged by conditions or requirements which cannot be shown to be justifiable.

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors

Ernst & Young LP were appointed auditors during the year. 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
5th March 2014

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent company and of their profit or loss for that period.

In preparing each of the group and parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 to prevent and detect fraud and other irregularities.

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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 2013 which comprise Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 27. 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).

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 Statement of Directors' Responsibilities 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 director's report 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 2013 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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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.

Ernst & Young LLP

David Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
5 March 2014

Consolidated Profit and Loss Account

for the year ended 31 December 2013

	Note	**2013 £000**	**2013 £000**	2012 £000	2012 £000
Group Turnover	*2*				
Continuing operations		**60,668**		**-**	
Acquisitions				**45,583**	
			60,668		**45,583**
Cost of sales - Continuing operations			**(58,203)**		**-**
- acquisitions			**-**		**(42,183)**
Gross profit			**2,465**		**3,400**
Administrative expenses before one-off operating items		**(3,608)**		**(4,287)**	
One-off operating items - restructuring costs		**(427)**		**(636)**	
Administrative expenses			**(4,035)**		**(4,923)**
Group operating loss					
Continuing operations		**(1,570)**		**-**	
Acquisitions		**-**			
				(1,523)	
Total operating loss	*3-5*		**(1,570)**		**(1,523)**
Profit on sale of fixed assets	*10*		**32**		**18**
Interest receivable and similar income	*6*		**1**		**29**
Other finance expense	*7*		**(28)**		**(6)**
Loss on ordinary activities before taxation			**(1,565)**		**(1,482)**
Tax on loss on ordinary activities	*8*		**1,182**		**1,432**
Loss for the year			**(383)**		**(50)**

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2013

		2013	2012
		£000	£000
Loss for the financial year		**(383)**	**(50)**
Actuarial (loss) / gain on pension schemes	*24*	**(40)**	**122**
Deferred tax on the actuarial gain	*16*	**8**	**(28)**
Prior period adjustments/effect of decreased tax rate		**17**	**-**
Total gain since last annual report		**(398)**	**44**

Consolidated Balance Sheet
At 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	*11*		3,152		3,319
Goodwill	*12*		11,312		8,776
			14,464		12,095
Current assets					
Debtors : amounts falling due within one year	*14*	15,244		27,289	
: amounts falling due after one year	*14*	3,527		879	
		18,771		28,168	
Cash at bank and in hand	*15*	1,577		976	
		20,348		29,144	
Creditors: amounts falling due within one year	*17*	(34,096)		(40,055)	
Net current liabilities			(13,748)		(10,911)
Total assets less current liabilities			716		1,184
Creditors: amounts falling due after more than one year	*18*		(1,070)		(1,070)
Pension liabilities	*24*		-		(70)
Net (liabilities)/assets			(354)		44
Capital and reserves					
Share capital	*21*		-		-
Profit and loss account	*19*		(354)		44
Shareholders' funds	*19*		(354)		44

These financial statements were approved by the board of directors on 5/3/2014 and were signed on its behalf by:

P M Mathew
Director

Company Balance Sheet
At 31 December 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Tangible assets	*11*		3,152		2,557
Goodwill	*12*		11,312		-
Investments	*13*		-		245
			14,464		2,802
Current assets					
Debtors : amounts falling due within one year	*14*	15,244		89	
: amounts falling due after one year	*14*	3,527		-	
		18,771		89	
Cash at bank and in hand	*15*	1,577		-	
		20,348		89	
Creditors: amounts falling due within one year	*17*	(34,096)		(455)	
Net current liabilities			(13,748)		(366)
Total assets less current liabilities			716		2,436
Creditors: amounts falling due after more than one year	*18*		(1,070)		(1,070)
Net assets			(354)		1,366
Capital and reserves					
Share capital	*21*		-		-
Profit and loss account	*19*		(1,693)		(1)
Revaluation Reserve	*19*		1,339		1,367
Shareholders' funds	*19*		(354)		1,366

These financial statements were approved by the board of directors on 5th March 2014 and were signed on its behalf by:

P M Mathew
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities for the group of £13,748,000 *(2012: £10,911,000)*, and for the company of £13,748,000 *(2012: £366,000)*, 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 a related group company. This company 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 made 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.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. 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 %
Commercial vehicles	25-50 %
Freehold buildings	2 %

No depreciation is provided on freehold land.

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

1 Accounting policies *(continued)*

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of the Group's goodwill is 20 years.

As part of a rationalisation of the Group in previous 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 profit and loss account. 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 profit and loss account 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 £11.3m (2012: £nil).

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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.

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 profit and loss account 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 17. This scheme is now closed for future accrual from 1 October 2012.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes *(continued)*

Long term contracts

Turnover on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. 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.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

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 profit and loss account

Group

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

	2013 £000	2012 £000
Depreciation of owned assets	181	181
Amortisation of goodwill	661	187
Hire of plant and machinery	551	316

Auditors' remuneration:

	2013 £000	2012 £000
Audit of these financial statements	29	4
Disclosures below based on amounts receivable in respect of services to the company and its subsidiaries		
Audit of financial statements of subsidiaries of the company:	3	40

Notes *(continued)*

4 Remuneration of directors

Company

	2013	2012
	£000	£000
Directors' emoluments	**421**	-
Contribution to money purchase pension scheme	**52**	-
In respect of the highest paid director:		
Aggregate emoluments	**248**	-

	Number of directors	
	2013	2012
The number of directors in money purchase pension schemes during the year	**3**	-

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	
	2013	2012
Office and management	**125**	**121**
Production and sales	**150**	**257**
	275	**378**

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£000	£000
Wages and salaries	**12,484**	**7,821**
Social security costs	**1,355**	**643**
Pension costs:		
Defined benefit	**-**	**13**
Defined contribution	**158**	**59**
	13,997	**8,536**

6 Interest receivable and similar income

	2013	2012
	£000	£000
Bank interest receivable	**1**	**3**
Exchange gain	**-**	**26**
	1	**29**

Notes *(continued)*

7 Other finance income/(expense)

	2013 £000	2012 £000
Expected return on pension scheme assets	**392**	**189**
Interest on pension scheme liabilities	**(420)**	**(195)**
	(28)	**(6)**

8 Taxation

Group
Tax on profit on ordinary activities

	2013 £000	2012 £000
Current tax		
UK corporation tax	315	(286)
Group relief	(1,567)	(1,146)
Total current tax charge	(1,252)	(1,432)
Deferred tax (see note 16)		
Origination/reversal of timing differences	70	-
	70	-
Tax credit on profit on ordinary activities	(1,182)	(1,432)

Factors affecting the tax credit for the current year

The current tax (credit) for the year is higher *(2012: higher)* than the standard average rate of corporation tax in the UK of 25.25% (*2012:* 24%). The differences are explained below:

	2013 £000	2012 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(1,565)	(1,482)
Current tax at average rate of 23.25% *(2012: 24 %)*	(364)	(354)
Effects of:		
Expenses / (income) not deductible for tax	61	-
Difference between capital allowances and depreciation/amortisation	(81)	47
Tax Losses arising in the period:		
- Recognized	(662)	(52)
-Unrecognized	-	74
Other short term timing differences	53	(1)
Group relief	(259)	(1,146)
Total current tax credit (see above)	(1,252)	(1,432)

Notes *(continued)*

Factors affecting the tax charge in future years

On 2 July 2013, a reduction in the corporation tax rate was substantively enacted, reducing the tax rate from 23% to 21% effective 1 April 2014 and from 21% to 20% effective 1 April 2015. The effect of the rate reduction on the deferred tax balances as at 31 December 2013 has been included in the figures above.

There are no proposed changes to further reduce the main rate of corporation tax below 20% at this stage.

9 Loss attributable to members of the parent undertaking

The loss in respect of the parent undertaking for the year ended 31 December 2013 was £1,705,000 *(2012: 13,000).*

10 Profit on sale of fixed assets

Group	**2013 £000**	2012 £000
Profit on sale of fixed assets	**32**	**18**

11 Tangible fixed assets

Group

	Leasehold improvements £000	**Freehold land and buildings** £000	**Plant and machinery** £000	**Motor vehicles** £000	**Total** £000
Cost					
At beginning of year	648	2,570	113	169	3,500
Additions	-	-	30	-	30
Disposals	-	-	-	(16)	(16)
At end of year	648	2,570	143	153	3,514
Depreciation					
At beginning of year	57	22	20	82	181
Charge for year	45	51	45	40	181
At end of year	102	73	65	122	362
Net book value					
At 31 December 2013	**546**	**2,497**	**78**	**31**	**3,152**
At 31 December 2012	**591**	**2,548**	**93**	**87**	**3,319**

Notes *(continued)*

11 Tangible fixed assets *(continued)*

Company

	Leasehold improvements	Freehold land and buildings	Plant and machinery	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	-	2,570	9	-	2,579
Transfer from subsidiary companies	648	-	104	169	921
Additions	-	-	30	-	30
Disposals	-	-	-	(16)	(16)
At end of year	648	2,570	143	153	3,514
Depreciation					
At beginning of year	-	22	-	-	22
Transfer from subsidiary companies	57	-	20	82	159
Charge for year	45	51	45	40	181
At end of year	102	73	65	122	362
Net book value					
At 31 December 2013	**546**	**2,497**	**78**	**31**	**3,152**
At 31 December 2012	**591**	**2,548**	**93**	**87**	**3,319**

Notes *(continued)*

12 Goodwill

Group	**Total**
	£000
Cost	
At beginning of year	8,963
Acquired in business combination	3,197
At end of year	12,160
Amortisation	
At beginning of year	187
Charged in year	661
At end of year	848
Net book value	
At 31 December 2013	**11,312**
At 31 December 2012	**8,776**

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. The amount of capitalised goodwill will be written off over the remaining life. The initial goodwill was created last year based on the provisional fair value of the assets and liabilities due to lack of information at the time of the fair value exercise. During the year the company reviewed the fair value of the assets and liabilities in detail and readjusted goodwill and as a result, an additional £3.2m goodwill was created.

Notes *(continued)*

13 Investments

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Unlisted investments	**-**	-	**-**	**245**

Investments are valued at cost less any provision for impairment. The undertakings in which the Group's interest at the year end is more than 20% are as follows :.

	Country of incorporation	Principal activity	Class and percentage of shares held	
			Group	**Company**
Subsidiary undertakings				
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
Subsidiary undertakings of CA Sothers (Holdings) Ltd				
CA Sothers Ltd	England	Building Services	**100% Equity**	-
Sothers Building Services Ltd	England	Dormant	**100% Equity**	-

14 Debtors

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Trade debtors	**9,060**	**9,818**	**9,060**	**-**
Amounts recoverable on contracts	**8,056**	**14,564**	**8,056**	**-**
Prepayments and accrued income	**378**	**1,120**	**378**	**15**
Deferred tax assets (see note 16)	**854**	**879**	**854**	**-**
Other debtors	**423**	**279**	**423**	**70**
Group Relief	**-**	**1,508**	**-**	**4**
	18,771	**28,168**	**18,771**	**89**

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

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Trade debtors	**2,673**	**-**	**2,673**	**-**
Deferred tax assets	**854**	**879**	**854**	**-**
	3,527	**879**	**3,527**	**-**

Notes *(continued)*

15 Cash in bank and hand

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
At 1 January 2013	**976**	-	**-**	-
Transfer from subsidiary under takings	**-**	-	**976**	-
Net Cash Flow in year	**601**	976	**601**	-
At 31 December 2013	**1,577**	976	**1,577**	-

16 Deferred tax

Group and Company

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

	Group	Company
	£000	£000
At 1 January 2013	899	-
Movement during year:		
Accounted for in the Profit & Loss Account	(70)	-
Accounted for in the Statement of Total Recognised Gains and Losses	25	19
Addition through acquisition	-	880
At 31 December 2013	854	899

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

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Difference between accumulated depreciation and capital allowances	**(45)**	-	**(45)**	-
Other timing differences	**899**	879	**899**	-
Pension – Profit & Loss Account	**(25)**	1	**(25)**	-
Pension – Statement of Total Recognised Gains and Losses	**25**	19	**25**	-
	854	899	**854**	-
Included in debtors (note 14)	**854**	879	**854**	-
Included in defined benefit pension liabilities (note 24)	**-**	20	**-**	-
Net deferred tax asset	**854**	899	**854**	-

Notes *(continued)*

16 Deferred tax *(continued)*

The benefit will only accrue if there are future taxable profits from which future reversals of the timing differences can be deducted.

The group holds tax losses of approximately £11,768,000 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 £1,455,000, which has not been recognised in these financial statements as its future recovery is uncertain. This potential deferred tax assets will be recognised when it can be regarded as more likely than not that there will be sufficient taxable

17 Creditors: amounts falling due within one year

	Group		**Company**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Trade creditors	**16,355**	25,875	**16,355**	-
Amount owed to parent undertaking (net)	**10,407**	5,490	**10,407**	455
Accruals	**6,115**	7,798	**6,115**	-
Corporation tax	**315**	39	**315**	-
Other creditors, taxation and social security	**904**	853	**904**	-
	34,096	40,055	**34,096**	455

18 Creditors: amounts falling due after more than one year

	Group		**Company**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Amounts owed to parent undertakings	**1,070**	1,070	**1,070**	1,070

Notes *(continued)*

19 Reconciliation of shareholders' funds and movements on reserves

Group

	Share capital	Profit and loss account	Total
	£000	**£000**	**£000**
Loss for the year	-	(383)	(383)
Actuarial gain on pension schemes (net of deferred tax)	-	(15)	(15)
Net increase to shareholders' funds	-	(398)	(398)
As at 1 January 2013	-	**44**	**44**
As at 31 December 2013	-	**(354)**	**(354)**

Company

	Revaluation reserve	Share capital	Profit and loss account	Total
	£000	**£000**	**£000**	**£000**
Loss for the year	-	-	(1,705)	(1,705)
Actuarial loss on pension schemes (net of deferred tax)	-	-	(15)	(15)
Transfer	(28)	-	28	
	(28)	-	(1,692)	(1,720)
Net increase to shareholders' funds				
As at 1 January 2013	**1,367**	-	**(1)**	**1,366**
As at 31 December 2013	**1,339**	-	**(1,693)**	**(354)**

Notes *(continued)*

20 Other financial commitments

At 31 December 2013, the group had annual commitments under operating leases as set out below:

	2013	2012
	£000	£000
Operating leases which expire:		
Within one year	**1**	150
Between one and two years	**182**	150
Between two and 5 years	**7**	62
Over 5 years	**118**	43
	308	405

21 Called up share capital

	2013	2012
	£000	£000
Authorised		
100 Ordinary shares of £1 each	**-**	-
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	**-**	-

Notes *(continued)*

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 2013, the Group had capital commitments of £3,000 *(2012:£nil)* relating to planned capital expenditure.

24 Pension scheme

(a) FRS17

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.

The the liabilities for the FRS17 as at 31 December 2013 were calculated by carrying out a valuation based on membership data by a qualified independent actuary. The contributions made to the scheme by the Company in the accounting period were £158,000. The Scheme is closed for future accrual from 1 October 2012.

These financial statements have been drawn up in accordance with the measurement and disclosure requirements of FRS 17. The net surplus/(deficit) reported in the Group and Company balance sheet comprises the following:

	2013 **£000**	2012 £000
Present value of funded defined benefit obligations	**(9,223)**	(9,433)
Fair value of plan assets	**9,564**	9,343
Surplus / (Deficit)	**341**	(90)
Irrecoverable Surplus	**(341)**	-
	-	(90)
Related deferred tax asset	**-**	20
Net surplus / (deficit)	**-**	(70)

Notes *(continued)*

24 Pension scheme *(continued)*

Movements in present value of defined benefit obligation

	2013 £000	2012 £000
At 3 August 2012	**9,433**	9,092
Current service cost	**-**	13
Interest cost	**420**	195
Actuarial (gain) / loss	**(257)**	220
Contributions by members	**-**	6
Benefits paid	**(373)**	(93)
At 31 December	**9,223**	9,433

Movements in fair value of plan assets

	2013 £000	2012 £000
At 3 August	**9,343**	8,786
Expected return on plan assets	**392**	189
Actuarial gain	**44**	342
Contributions by employer	**158**	113
Contributions by members	**-**	6
Benefits paid	**(373)**	(93)
At 31 December	**9,564**	9,343

Expense recognised in the profit and loss account

	2013 £000	2012 £000
Current service cost	**-**	13
Interest on defined benefit pension plan obligation	**420**	195
Expected return on defined benefit pension plan assets	**(392)**	(189)
Total	**28**	19

Notes *(continued)*

24 Pension scheme *(continued)*

The expense is recognised in the following line items in the profit and loss account:

	2013	2012
	£000	£000
Administrative expenses	**-**	13
Other financial income	**28**	6
	28	19

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial loss is £40,000 *(2012: £122,000 gain).*

Cumulative actuarial gains/losses reported in the consolidated statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £82,000 gain *(2012: £122,000 gain)*. Company £40,000 loss *(2012:£nil gain).*

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

	2013	2012
	£000	£000
Equity	**2,833**	2,525
Bond	**3,874**	4,119
Gilts	**2,857**	3,034
Cash and net current liabilities	**-**	(335)
	9,564	9,343
Actual return on plan assets	**436**	531

Notes *(continued)*

24 Pension scheme *(continued)*

Experience adjustments

	31 Dec 2013 £000	31 Dec 2012 £000	30 June 2012 £000	30 June 2011 £000	30 June 2010 £000
Experience adjustments on scheme liabilities	**(40)**	(199)	87	(163)	293
Amount as a percentage of scheme liabilities	**(0.43%)**	(2.11%)	0.96%	(1.94)%	2.41%
Experience adjustments on scheme assets	**44**	342	400	389	419
Amount as a percentage of scheme assets	**0.46%**	3.66%	4.55%	4.67%	5.42%

The Group expects to contribute approximately £130,000 to the scheme in the next financial year (Company: £130,000).

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.

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

	2013 %	2013 %
Discount rate	**4.40**	4.50
Expected rate of return on plan assets	**5.20**	4.20
Expected return on plan assets at beginning of the period.	**4.20**	4.30
Future salary increases	**n/a**	n/a
Other material assumptions:		
- PPI Inflation	**3.10**	2.95
- CPI inflation	**2.10**	2.25

In valuing the liabilities of the pension fund at £9,223,000, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at £9,223,000 would have increased by £266,000 before deferred tax

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), 91 years (female).

History of plans

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

Group Balance sheet

	31 Dec 2013 £000	31 Dec 2012 £000	30 June 2012 £000	30 June 2011 £000	30 June 2010 £000
Present value of scheme liabilities	**(9,223)**	(9,433)	(9,092)	(8,401)	(8,015)
Fair value of scheme assets	**9,564**	9,343	8,786	8,330	7,737
(Deficit)/surplus	**341**	(90)	(306)	(71)	(278)

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 £151,000 *(2012: £59,000)*. The unpaid employer's contributions outstanding at the year end were £17,150*(2012: £12,000)*.

25 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 Laffayette Investments Limited (registered in Jersey), whose accounts are exempt from consolidation.

26 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.

During the year, the group entered into several transactions with MDSL Limited, a company under common control. Purchases from this group amounted to £503,000 *(2012: £406,000)* and as at 31 December 2013, the group owed £358,000 *(2012: £25,000)* to the company. Group also made purchases from Rezayat Europe Ltd, another company under common control, amounting to £57,000 and as at 31 December 2013 the Group owed £52,000 to the company.