Lorne Stewart PLC

Report and financial statements

Registered number 1348218

31 December 2014

Contents

Company information

Directors

T AbuZayyad
P M Mathew
G R Worrall
J Kurian
P Hughes
P Laidlaw

Secretary

I Rajakumar

Auditors

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Bankers

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Registered Office

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Strategic report

The Directors present their strategic report for the year ended 31 December 2014.

Principal activity of the business

The Group's principal activities during the year continued to be 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.

Review of the business

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

	2014	2013	Change
	£000	£000	%
Group turnover	202,540	200,073	1.23%
Operating profit	4,633	4,667	(0.73)%
Profit before tax	5,563	5,656	(1.65)%
Profit after tax	4,352	5,605	(22.36)%
Shareholders' funds	19,866	18,785	5.75%
Current assets as % of current liabilities	117%	108%	
Average number of employees	1,255	1,314	(4.50)%

Group Turnover marginally increased by 1.23% in 2014 and the operating profit decreased marginally by 0.73% in the year. During the year we continued our policy of being selective in tendering in the general market and maximise opportunities through our Frameworks and Strategic Partnerships. The Rotary Companies produced a turnover of £49m and suffered £937k loss after tax due to the on-going restructuring works.

Shareholders' funds increased by 5.75% in the year, as a result of current year positive trading results, which was partly offset by the increased pension liabilities. The Group's "quick ratio" (current assets as a percentage of current liabilities) has increased to 117%. The average number of employees decreased by 4.5%.

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 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.

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. The Group aims to mitigate liquidity and cash flow risk by managing cash generation by its operations, applying cash collection targets throughout the Group.

By order of the Board

P M Mathew
Director

Stewart House
420 Kenton Road
Harrow
Middlesex HA3 9TU
11th March 2015

Directors' report

The Directors present their Directors' report and the consolidated financial statements for the year ended 31 December 2014.

Directors of the company

The current Directors are shown in page 1.

Dividend

No dividend was paid during the year by the company.

Future Developments

The strategic acquisition of the Rotary companies has enabled the Group to grow and diversify its customer base in a highly competitive market. As a result of Rotary Group restructuring, all the Rotary units are now trading under a single operating entity. Though the Rotary Group did not generate positive contribution towards current year Group profit, the future looks promising with the current healthy workload. 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 are no material events since the balance sheet date that require adjustment or disclosure in the financial statements.

Going concern

The Group business activities, together with the factors likely to affect its future development, performance and position have been considered in respect of the next 12 months and a budget setting out the expected revenues, costs, overheads and profit has been approved by the Board.

The financial position of the business, its cash flows, liquidity position and borrowing facilities have been reviewed and are deemed satisfactory.

The Directors have considered the current economic climate and market conditions and have taken account of these elements when setting the budget for the next 12 months of trading.

Current tendering activity is high and success rates are within acceptable norms for the industry. The sales pipeline is healthy showing growth and in the opinion of the Directors, provides sufficient potential to meet the current budget expectation.

The company has adequate financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and differing market sectors which helps to mitigate changes in the localised economy.

As a consequence, the Directors believe that the company is well placed to manage its business risks successfully in the current economic climate.

The Directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future. They will therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 made charitable donations of £3,620 *(2013: £5,200)* and made an arrangement to sponsor Barnardo's. The company encouraged its employees to engage with the community and in addition to other projects, the sum of £10,000 was raised by the company and employees for the Barnado's in 2014. The Group has not made any political donations nor incurred any political expenditure during the year *(2013: £nil)*.

Safety, Health, Environment & Quality (SHEQ)

In line with the combined organisation, the Safety, Health, Environmental & Quality (SHEQ) function and documentation has been reorganised as the SHEQ Department. In 2014 accreditation to OHSAS 18001 and ISO 14001 was achieved in addition to the existing ISO 9001. All the related documentation have been realigned with this strategy. Group continues its ever better SHEQ performance through improved workplace statistics and has received the ROSPA Gold Award for 8 years running. The environmental strategy of the Group is delivering tangible benefits through savings brought about by conference calling etc. This is generating further benefits with video conferencing also being introduced.

With the achievement of all three standards the next challenge is to integrate all three standards into a single IMS and as such this objective has been set in continually improving our overall management strategy.

As a part of continuous improvement of processes, our estimation database is operated from a hosted environment at a remote data centre. E-Procurement has been successfully trialled with few suppliers and will be extended to additional suppliers during 2015. Mileage claim reimbursements are processed online by employees ensuring speedy and consistent processing.

Training

The Group is committed to on-going training for all levels of employees, both in Technology, Health and Safety and Management Skills. Regular training is organised for management in order to ensure they are up to date with best practice.

We continue to support and train apprentices and our apprentices have been given recognition at national levels. Our training and development policies are regularly reviewed to ensure they not only cover statutory law but also support our needs in a challenging and developing market place.

Management toolkits are in place and regularly updated to ensure managers have guidelines available as and when needed. In addition, several in-house training sessions are provided to managers to equip them with up to date employment/management skills. We are working towards ensuring Lorne Stewart Group as an employer of choice in our industry.

Employee involvement

We continue to provide employees with information about the Group which we achieve through regular discussions with employees, including meetings at Branch and Divisional level, which include local toolbox talk. There is the continuation of our In-House magazine 'Touchline' which keep employees update with company news.

Employees at all levels are encouraged to participate directly in the success of the business through the business unit performance based 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 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 implement 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

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

I Rajakumar
Secretary

Stewart House
420 Kenton Road
Harrow
Middlesex HA3 9TU
11th March 2015

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

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent 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 judgements 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 and to prevent and detect fraud and other irregularities.

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Independent auditor's report to the members of Lorne Stewart PLC

We have audited the financial statements of Lorne Stewart PLC for the year ended 31 December 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated statement of cash flows, the Consolidated 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 Directors' Responsibilities Statement set out on page 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 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 2014 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.

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:

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Independent auditor's report *(continued)*

- 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
London

1 2 MAR 2015

Consolidated Profit and Loss Account

for the year ended 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Group Turnover	*2*				
Continuing operations			**202,540**		**200,073**
Cost of sales			**(189,326)**		**(187,094)**
Gross profit			**13,214**		**12,979**
Administrative expenses before one-off operating items		**(8,251)**		**(7,542)**	
Restructuring costs	*4*	**(330)**		**(770)**	
Administrative expenses			**(8,581)**		**(8,312)**
Group operating profit			**4,633**		**4,667**
Profit on sale of fixed assets	*11*		**70**		**56**
Interest receivable and similar income	*7*		**115**		**355**
Other finance income	*8*		**745**		**578**
Profit on ordinary activities before taxation			**5,563**		**5,656**
Tax on profit on ordinary activities	*9*		**(1,211)**		**(51)**
Profit for the year			**4,352**		**5,605**

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2014

		2014 £000	2013 £000
Profit for the financial year		**4,352**	**5,605**
Actuarial (loss)/gain on pension schemes	*25*	**(4,089)**	**2,872**
Deferred tax on the actuarial loss/(gain)	*16*	**818**	**(574)**
Effect of decreased tax rate		**-**	**(460)**
Total gain relating to the year		**1,081**	**7,443**

Note of Consolidated Historical Cost Profits and Losses
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit on ordinary activities before taxation	5,563	5,656
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	(14)	(14)
Historical cost profit on ordinary activities before taxation	5,549	5,642
Historical cost profit for the year retained after taxation and dividends	4,338	5,591

Consolidated Balance Sheet

At 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	*12*		**5,987**		**7,238**
Goodwill	*13*		**10,701**		**11,312**
Investment	*14*		**-**		**-**
			16,688		**18,550**
Current assets					
Debtors : amounts falling due within one year	*15*	**48,655**		**47,727**	
: amounts falling due after one year	*15*	**9,025**		**8,018**	
		57,680		**55,745**	
Cash at bank and in hand	*17*	**17,234**		**13,675**	
		74,914		**69,420**	
Creditors: amounts falling due within one year	*18*	**(64,202)**		**(64,203)**	
Net current assets			**10,712**		**5,217**
Total assets less current liabilities			**27,400**		**23,767**
Pension liabilities	*25*		**(7,534)**		**(4,982)**
Net assets			**19,866**		**18,785**
Capital and reserves					
Share capital	*22*		**5,211**		**5,211**
Profit and loss account	*19*		**13,238**		**12,143**
Revaluation reserve	*19*		**1,417**		**1,431**
Shareholders' funds	*19*		**19,866**		**18,785**

These financial statements were approved by the board of Directors on 11th March 2015 and were signed on its behalf by:

P M Mathew
Director

Company Balance Sheet
At 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	12		3,958		4,086
Investments	14		-		-
			3,958		4,086
Current assets					
Debtors : amounts falling due within one year	15	46,919		43,960	
: amounts falling due after one year	15	6,084		4,491	
		53,003		48,451	
Cash at bank and in hand	17	12,906		12,097	
		65,909		60,548	
Creditors: amounts falling due within one year	18	(41,096)		(40,537)	
Net current assets			24,813		20,011
Total assets less current liabilities			28,771		24,097
Pension liabilities	25		(7,534)		(4,982)
Net assets			21,237		19,115
Capital and reserves					
Share capital	22		5,211		5,211
Profit and loss account	19		14,609		12,473
Revaluation reserve	19		1,417		1,431
Shareholders' funds	19		21,237		19,115

These financial statements were approved by the board of Directors on 11th March 2015 and were signed on its behalf by:

P M Mathew
Director

Consolidated Statement of Cash Flows
for the year ended 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Net cash inflow/(outflow) from operating activities	*20*		**4,022**		**(13,861)**
Returns on investments and servicing of finance					
Net interest received			**216**		**677**
Taxation					
Corporation tax paid			**(1,443)**		**(1,438)**
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		**(238)**		**(713)**	
Receipts from sales of tangible fixed assets		**1,002**		**81**	
Net cash inflow/(outflow) from capital expenditure and financial investment			**764**		**(632)**
Increase/(Decrease) in cash in the year	*17*		**3,559**		**(15,254)**

Notes to the financial statements for the year ended 31 December 2014

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 except for revaluation of fixed assets.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2014. 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.

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

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.

Taxation

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.

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.

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.

Post-retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Group operates three defined benefit pension schemes, providing benefits based on final pensionable pay all of which require contributions to be made to separately administered funds. The pension costs are accounted for in accordance with FRS 17. The company closed the main scheme to future accrual on 30 September 2006, as detailed in note 25(a).

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.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Cash

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

Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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.

Notes *(continued)*

3 Notes to the profit and loss account

Operating profit is stated after charging / (crediting):

	2014 £000	2013 £000
Depreciation of owned assets	557	732
Amortization of goodwill	611	661
Hire of plant and machinery	1,963	2,371
Operating lease rentals		
Land and buildings	1,348	1,365
Rental income	(230)	(230)

Auditors' remuneration:

	2014 £000	2013 £000
Audit of these financial statements	70	70
Disclosures below based on amounts receivable in respect of services to the company and its subsidiaries		
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	23	31

4 Restructuring costs

	2014 £000	2013 £000
Restructuring costs	330	770

In order to be competitive in the current difficult market, management reduced the employee numbers after a careful review of the current and future business requirement.

5 Remuneration of Directors

Company

	2014 £000	2013 £000
Directors' emoluments	889	1,090
Contribution to money purchase pension scheme	92	62
In respect of the highest paid Director:		
Aggregate emoluments	529	449

	Number of Directors 2014	Number of Directors 2013
The number of Directors in money purchase pension schemes during the year	2	4

One of the directors of the Company throughout the financial year, was also director of a subsidiary Rotary building services Ltd, for the same period. His remuneration has been paid by Rotary building services Ltd in respect of his services to the Group as a whole and it is not possible to identify separately the amounts relating to his services to the Company. Another two directors are employees of related parties and remunerated by those related parties, and it is not possible to identify separately the amounts relating to their services to the Company.

Notes *(continued)*

6 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	
	2014	**2013**
Office and management	**471**	**497**
Production and sales	**784**	**817**
	1,255	**1,314**

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	**45,985**	**48,674**
Social security costs	**4,552**	**5,165**
Pension costs:		
Defined benefit	**49**	**59**
Defined contribution	**2,135**	**1,730**
	52,721	**55,628**

7 Interest receivable and similar income

	2014 £000	2013 £000
Bank interest receivable (net)	**114**	**358**
Exchange gain	**1**	**(3)**
	115	**355**

8 Other finance income

	2014 £000	2013 £000
Expected return on pension scheme assets	**3,893**	**3,920**
Interest on pension scheme liabilities	**(3,148)**	**(3,342)**
	745	**578**

Notes *(continued)*

9 Taxation

Group
Tax on profit on ordinary activities

	2014 £000	2013 £000
Current tax		
UK corporation tax	798	315
Adjustments in respect of prior years	284	(151)
Total current tax charge	1,082	164
Deferred tax (see note 16)		
Origination/reversal of timing differences	183	420
Adjustment in respect of prior years	(54)	(472)
Effect of tax rate change on opening balance	-	(61)
	129	(113)
Tax on profit on ordinary activities	1,211	51

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2013: lower)* than the standard average rate of corporation tax in the UK 21.49% (*2013:* 23.25%) The differences are explained below:

	2014 £000	2013 £000
Current tax reconciliation		
Profit on ordinary activities before tax	5,563	5,656
Current tax at average rate of 21.49% *(2013:* 23.25%)	1,195	1,315
Effects of:		
Expenses/(income) not deductible for tax purposes	180	(31)
Difference between capital allowances and depreciation	4	(128)
Tax Losses arising in the period:		
- Recognized	-	(662)
- Unrecognized	-	-
Adjustments in respect of previous periods	284	(151)
Other short term timing differences movement	(657)	(165)
Other non taxable (income)		(14)
Capital gain	76	-
Total current tax charge (see above)	1,082	164

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.

Notes *(continued)*

10 Profit attributable to members of the parent undertaking

The profit in respect of the parent undertaking for the year ended 31 December 2014 was £5,289,000 *(2013: £5,988,000)*.

11 Profit on sale of fixed assets

Group	2014 £000	2013 £000
Profit on sale of fixed assets	**70**	**56**

12 Tangible fixed assets

Group

	Leasehold improvements £000	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation					
At beginning of year	1,811	6,985	6,123	2,182	17,101
Additions	12	-	173	53	238
Disposals	-	(1,000)	(93)	(368)	(1,461)
At end of year	1,823	5,985	6,203	1,867	15,878
Depreciation					
At beginning of year	1,140	1,194	5,585	1,944	9,863
Charge for year	87	95	246	129	557
On disposals	-	(71)	(92)	(366)	(529)
At end of year	1,227	1,218	5,739	1,707	9,891
Net book value					
At 31 December 2014	**596**	**4,767**	**464**	**160**	**5,987**
At 31 December 2013	**671**	**5,791**	**538**	**238**	**7,238**

Notes *(continued)*

12 Tangible fixed assets (continued)

Company

	Leasehold improvements	Freehold land and buildings	Plant and machinery	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	1,163	4,415	5,980	2,173	13,731
Additions	12	-	166	53	231
Disposals	-	-	(93)	(367)	(460)
At end of year	1,175	4,415	6,053	1,859	13,502
Depreciation					
At beginning of year	1,038	1,117	5,520	1,970	9,645
Charge for year	33	54	193	109	389
On disposals	-	(33)	(92)	(365)	(490)
At end of year	1,071	1,138	5,621	1,714	9,544
Net book value					
At 31 December 2014	**104**	**3,277**	**432**	**145**	**3,958**
At 31 December 2013	**125**	**3,298**	**460**	**203**	**4,086**

13 Goodwill

Group

	Total £000
Cost	
At beginning of year	12,160
Acquired in business combination	-
At end of year	12,160
Amortisation	
At beginning of year	848
Charged in year	611
At end of year	1,459
Net book value	
At 31 December 2014	**10,701**
At 31 December 2013	**11,312**

Notes *(continued)*

13 Goodwill (continued)

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.

14 Investments

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£000	**£000**	**£000**	**£000**
Unlisted investments (net of provisions)	-	-	-	-

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				
Rotary Building Services Ltd	England	Building Services	**100% Equity**	100% Equity
Subsidiary undertakings of Rotary Building Services Ltd.				
Fibutex Ltd	England	Dormant	**100% Equity**	-
Rotary North West Ltd	England	Building Services	**100% Equity**	-
Rotary Yorkshire Ltd	England	Building Services	**100% Equity**	-
Rotary Southern Ltd	England	Building Services	**100% Equity**	-
CA Sothers (Holdings) Ltd	England	Holding	**100% Equity**	-
Sothers Building Services Ltd	England	Dormant	**100% Equity**	-
Subsidiary undertakings of CA Sothers (holdings) Ltd				
CA Sothers Ltd	England	Building Services	**100% Equity**	-

15 Debtors

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£000	**£000**	**£000**	**£000**
Trade debtors	**16,218**	**18,567**	**11,046**	**9,506**
Amounts recoverable on contracts	**34,920**	**31,226**	**22,652**	**23,170**
Prepayments and accrued income	**3,339**	**2,036**	**3,090**	**1,658**
Amount due from related/group undertaking	**-**	**-**	**14,886**	**11,477**
Deferred tax assets (note 16)	**1,498**	**1,446**	**202**	**592**
Other debtors	**1,705**	**2,470**	**1,127**	**2,048**
	57,680	**55,745**	**53,003**	**48,451**

Notes (continued)

15 Debtors (continued)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£000	**£000**	**£000**	**£000**
Trade debtors	**7,527**	**6,572**	**4,382**	**3,899**
Deferred tax assets	**1,498**	**1,446**	**202**	**592**
Due from related / Group company	**-**	**-**	**1,500**	**-**
	9,025	**8,018**	**6,084**	**4,491**

Notes *(continued)*

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 2014	2,692	1,838
Movement during year:		
Accounted for in the Profit & Loss Account	(128)	(544)
Accounted for in the Statement of Total Recognised Gains and Losses	818	792
At 31 December 2014	3,382	2,086

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

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Difference between accumulated depreciation and capital allowances	(167)	(150)	(135)	(105)
Other timing differences	1,665	1,596	337	697
Pension – Profit & Loss Account	(1,528)	(1,373)	(1,502)	(1,348)
Pension – Statement of Total Recognised Gains and Losses	3,412	2,619	3,386	2,594
	3,382	2,692	2,086	1,838
Included in debtors (note 15)	1,498	1,446	202	592
Included in defined benefit pension liabilities (note 25a)	1,884	1,246	1,884	1,246
Net deferred tax asset	3,382	2,692	2,086	1,838

The Group holds tax losses of £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 £2,354,000 of which £1,055,000 (2013: £1,455,000) 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.

17 Cash in bank and in hand

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 January	13,675	28,929	12,097	27,953
Net cash flow in year	3,559	(15,254)	809	(15,856)
At 31 December	17,234	13,675	12,906	12,097

Notes *(continued)*

18 Creditors: amounts falling due within one year

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Trade creditors	45,286	41,663	30,651	25,718
Amount owed to related party	1,255	1,621	1,059	1,211
Accruals	12,109	15,064	4,792	8,948
Payments on account	2,293	2,618	2,293	2,618
Other creditors, taxation and social security	3,176	2,922	2,217	2,042
Corporation tax	83	315	83	-
	64,202	**64,203**	**41,096**	**40,537**

19 (a) Reconciliation of shareholders' funds and movements on reserves

Group

	Revaluation reserve £000	Share capital £000	Profit and loss account £000	Total £000
Profit for the year	-	-	4,352	4,352
Actuarial loss on pension schemes (net of deferred tax)	-	-	(3,271)	(3,271)
Dividend paid	-	-		
Added during the year	(14)	-	14	-
Net (decrease)/increase to shareholders' funds	(14)	-	1,095	1,081
As at 1 January 2014	**1,431**	**5,211**	**12,143**	**18,785**
As at 31 December 2014	**1,417**	**5,211**	**13,238**	**19,866**

Company

	Revaluation reserve £000	Share capital £000	Profit and loss account £000	Total £000
Profit for the year	-	-	5,289	5,289
Actuarial loss on pension schemes (net of deferred tax)	-	-	(3,167)	(3,167)
Added during the year	(14)	-	14	-
Net decrease to shareholders' funds	(14)	-	2,136	2,122
As at 1 January 2014	**1,431**	**5,211**	**12,473**	**19,115**
As at 31 December 2014	**1,417**	**5,211**	**14,609**	**21,237**

Notes *(continued)*

19 (b) Dividend

Group

	2014 £000	2013 £000
The aggregate amount of dividends comprises:		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	-

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is *(2013: £nil).*

Company

	2014 £000	2013 £000
The aggregate amount of dividends comprises:		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	-

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is *(2013: £nil).*

20 Notes to the statement of cash flows

Group

Reconciliation of operating profit to net cash outflow from operating activities

	2014 £000	2013 £000
Operating profit	4,633	4,667
Depreciation	557	732
Amortisation of Goodwill & Investment	611	742
Difference between company contributions and current service costs – pension	(154)	(162)
Decrease in operating debtors	(1,856)	(10,097)
Decrease/(increase) in operating creditors	231	(9,743)
Net cash (outflow)/inflow from operating activities	**4,022**	**(13,861)**

21 Other financial commitments

At 31 December 2014, the group had annual commitments under operating leases as set out below:

	2014 £000	2013 £000
Operating leases which expire:		
Within one year	277	18
Between one and two years	31	268
Between two and 5 years	205	269
Over 5 years	608	408
	1,121	**963**

Notes *(continued)*

22 Called up share capital

	2014 £000	2013 £000
Authorised		
10,000,000 Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
5,210,645 Ordinary shares of £1 each	**5,211**	**5,211**

23 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.

24 Capital commitments

At 31 December 2014, the Group had capital commitments of nil *(2013* £46,000*)* relating to planned capital expenditure.

25 Pension scheme

(a) FRS17

The Group operates three defined benefit pension schemes, the Lorne Stewart Pension Scheme, the Lorne Stewart (Public Services) Pension Scheme and the Rotary Group Limited Retirement Benefits Plan. These schemes are funded by contributions to separately administered trust funds, and are exempt approved.

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

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Lorne Stewart Pension scheme	(9,333)	(6,233)	(9,333)	(6,233)
Lorne Stewart (Public Services) Pension scheme	(85)	5	(85)	5
Rotary Group Ltd Retirement Benefits Plan	-	-	-	-
	(9,418)	(6,228)	(9,418)	(6,228)
Deferred tax	1,884	1,246	1,884	1,246
Net pension liabilities included in the balance sheets	**(7,534)**	**(4,982)**	**(7,534)**	**(4,982)**

Notes *(continued)*

25 Pension scheme (continued)

Lorne Stewart Pension Scheme

The results of the formal actuarial valuation carried out at 5 April 2011 were updated for FRS 17 purposes to 31 December 2014 by a qualified independent actuary. The contribution made to the Scheme by the Company in the accounting period was £nil. The Scheme was closed to future accrual on 30 September 2006.

	2014 £000	2013 £000
Present value of funded defined benefit obligations	(65,426)	(60,661)
Fair value of plan assets	56,093	54,428
Deficit	(9,333)	(6,233)
Related deferred tax asset	1,867	1,247
Net deficit	(7,466)	(4,986)

Movements in present value of defined benefit obligation

	2014 £000	2013 £000
At 1 January	60,661	62,800
Interest cost	2,617	2,778
Actuarial loss / (gain)	4,534	(2,798)
Benefits paid	(2,386)	(2,119)
At 31 December	65,426	60,661

Movements in fair value of plan assets

	2014 £000	2013 £000
At 1 January	54,428	53,400
Expected return on plan assets	3,337	3,350
Actuarial /gain / (loss)	714	(203)
Contributions by employer	-	-
Benefits paid	(2,386)	(2,119)
At 31 December	56,093	54,428

(Income) recognised in the profit and loss account

	2014 £000	2013 £000
Interest on defined benefit pension plan obligation	2,617	2,778
Expected return on defined benefit pension plan assets	(3,337)	(3,350)
Total	(720)	(572)

Notes *(continued)*

25 Pension scheme *(continued)*

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

	2014 £000	2013 £000
Other finance income	**720**	**572**

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial profit is £3,820,000 *(2013: £2,595,000)*.

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 loss £16,225,000 *(2013: £12,405,000 loss)*. Company £16,225,000 loss *(2013: £12,405,000)*.

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

	2014 Fair value £000	2013 Fair value £000
Properties	**4,099**	**3,563**
Bonds	**11,101**	**9,889**
FIGA Fund	**2,344**	**2,278**
Diversified growth fund	**36,971**	**37,600**
Cash and net current assets	**1,578**	**1,098**
	56,093	**54,428**
Actual return on plan assets	**4,051**	**3,147**

Notes *(continued)*

25 Pension scheme (continued)

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the scheme's holdings of these instruments. 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	**3.70**	**4.40**
Expected rate of return on plan assets	**5.60**	**6.30**
Expected return on plan assets at beginning of the period	**6.30**	**6.40**
Future salary increases	**1.70**	**2.20**
Other material assumptions:		
- Future Pension Increase	**2.40**	**3.10**
- RPI Inflation	**2.90**	**3.20**
- CPI Inflation	**1.70**	**2.20**

In valuing the liabilities of the pension fund at £65,426,000 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 £65,426,000 would have increased by £2,392,000 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

	2014 £000	**2013** £000	**2012** £000	**2011** £000	**2010** £000
Present value of scheme liabilities	**(65,426)**	**(60,661)**	**(62,800)**	**(55,700)**	**(57,700)**
Fair value of scheme assets	**56,093**	**54,428**	**53,400**	**51,300**	**51,900**
(Deficit)/surplus	**(9,333)**	**(6,233)**	**(9,400)**	**(4,400)**	**(5,800)**

Notes *(continued)*

25 Pension scheme (continued)

Experience adjustments

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Experience adjustments on scheme liabilities	(1,033)	-	-	1,100	100
Amount as a percentage of scheme liabilities	1.58%	-	-	1.97%	0.17%
Experience adjustments on scheme assets	714	(203)	1,200	2,300	1,300
Amount as a percentage of scheme assets	1.27%	0.37%	2.25%	4.48%	2.50%

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

Lorne Stewart (Public Service) Pension Scheme

The results of the formal actuarial valuation carried out at 5 April 2011 were updated for FRS 17 purposes to 31 December 2014 by a qualified independent actuary. The contributions made to the scheme by the Company in the accounting period were £73,000. During the year, the Company contributed at the rate of 24% of pensionable salaries. The scheme is closed to new employees from 20 June 2002 and as the age of the active membership increases, the current service cost will increase under the actuarial method currently used, although this may be offset to some extent by a reducing salary roll as a result of members leaving active service.

	2014 £000	2013 £000
Present value of funded defined benefit obligations	(3,039)	(3,104)
Fair value of plan assets	2,954	3,109
(Deficit) / Surplus	(85)	5
Related deferred tax asset / (liability)	17	(1)
Net (deficit) / surplus	(68)	4

Notes *(continued)*

25 Pension scheme (continued)

Movements in present value of defined benefit obligation

	2014 £000	2013 £000
At 1 January	3,104	3,220
Current service cost	49	59
Interest cost	133	144
Actuarial loss	(19)	(227)
Contributions by members	15	15
Benefits paid	(243)	(107)
At 31 December	3,039	3,104

Movements in fair value of plan assets

	2014 £000	2013 £000
At 1 January	3,109	2,870
Expected return on plan assets	158	178
Actuarial (loss)/gain	(158)	90
Contributions by employer	73	63
Contributions by members	15	15
Benefits paid	(243)	(107)
At 31 December	2,954	3,109

Expense recognised in the profit and loss account

	2014 £000	2013 £000
Current service cost	49	59
Interest on defined benefit pension plan obligation	(133)	144
Expected return on defined benefit pension plan assets	158	(178)
Total	74	25

Notes *(continued)*

25 Pension schemes *(continued)*

The expense/(income) is recognised in the following line items in the profit and loss account:

	2014 £000	2013 £000
Administrative expenses	49	59
Other financial income	25	(34)
	74	25

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial loss is £139,000 *(2013:* £317,000 profit*)*.

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 £707,000 *(2013:* £568,000 loss*)*. Company £707,000 *(2013:* £568,000 loss*)*.

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

	2014 Fair value £000	2013 Fair value £000
Diversified growth fund	2,947	3,108
Cash and net current assets	7	1
	2,954	3,109
Actual return on plan assets	nil	268

Notes *(continued)*

25 Pension scheme (continued)

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:

	2014 %	**2013** %
Discount rate	**3.70**	**4.40**
Expected rate of return on plan assets	**6.40**	**6.80**
Expected return on plan assets at beginning of the period.	**6.80**	**7.00**
Future salary increases	**1.70**	**2.20**
Other material assumptions:		
- Future pension increase	**1.70**	**2.10**
- CPI inflation	**1.70**	**2.10**

In valuing the liabilities of the pension fund at £3,039,000, 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 £3,039,000 would have increased by £128,000 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

	2014 £000	**2013** £000	**2012** £000	**2011** £000	**2010** £000
Present value of scheme liabilities	**(3,039)**	**(3,104)**	**(3,220)**	**(2,740)**	**(3,100)**
Fair value of scheme assets	**2,954**	**3,109**	**2,870**	**2,750**	**2,900**
(Deficit)/surplus	**(85)**	**5**	**(350)**	**10**	**(200)**

Notes *(continued)*

25 Pension scheme (continued)

Experience adjustments

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Experience adjustments on scheme liabilities	124	-	-	100	-
Amount as a percentage of scheme liabilities	4.08%	-	-	3.65%	-
Experience adjustments on scheme assets	(158)	90	(30)	(280)	20
Amount as a percentage of scheme assets	(5.35)%	(2.90)%	(1.05)%	(10.18)%	0.69%

The Group expects to contribute approximately £73,000 to the scheme in the next financial year (Company: £73,000).

The company also contributes to the Railways Pension Scheme (omnibus) and the JIB Plumbing Pension, which are multi-employer defined benefit schemes. The company accounted for these schemes as defined contribution schemes, as permitted by FRS 17 'Retirement benefits', since it is unable to identify the share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

Rotary Group Limited Retirement Benefits Plan

The formal actuarial valuation carried out at 5 April 2011 was updated for FRS 17 purposes to 31 December 2014 by a qualified independent actuary. The contributions made to the scheme by the Company in the accounting period were £130,000. The Scheme is closed for future accrual from 1 October 2012.

	2014 £000	2013 £000
Present value of funded defined benefit obligations	(9,767)	(9,223)
Fair value of plan assets	10,518	9,564
Surplus / (Deficit)	751	341
Irrecoverable Surplus	(751)	(341)
	-	-
Related deferred tax asset	-	-
Net surplus deficit	-	-

Movements in present value of defined benefit obligation

	2014 £000	2013 £000
At 1 January	9,223	9,433
Current service cost	-	-
Interest cost	398	420
Actuarial loss	519	(257)
Contributions by members	-	-

Notes *(continued)*

25 Pension scheme (continued)

	2014 £000	2013 £000
Benefits paid	**(373)**	**(373)**
At 31 December	**9,767**	**9,223**

Movements in fair value of plan assets

	2014 £000	2013 £000
At 1 January	9,564	9,343
Expected return on plan assets	488	392
Actuarial (loss)/gain	709	44
Contributions by employer	130	158
Contributions by members	-	-
Benefits paid	(373)	(373)
At 31 December	**10,518**	**9,564**

Expense recognised in the profit and loss account

	2014 £000	2013 £000
Current service cost	-	-
Interest on defined benefit pension plan obligation	**398**	**420**
Expected return on defined benefit pension plan assets	**(398)**	**(392)**
Total	-	**28**

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

	2014 £000	2013 £000
Administrative expenses	-	-
Other financial income	-	**28**
	-	**28**

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial loss of £130,000 *(2013:* £40,000 loss*)*.

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 £48,000 loss *(2013:* £82,000 gain*)*. Company £170,000 loss *(2013:* £40,000 loss*)*.

Notes *(continued)*

25 Pension scheme (continued)

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

	2014 £000	2013 Fair value £000
Equity	2,745	2,833
Bond	4,507	3,874
Gilts	3,266	2,857
Cash and net current liabilities	-	-
	10,518	9,564
Actual return on plan assets	1,197	436

Experience adjustments

	31 Dec 2014 £000	31 Dec 2013 £000	30 June 2013 £000	30 June 2012 £000	30 June 2011 £000
Experience adjustments on scheme liabilities	36	(40)	(199)	87	(163)
Amount as a percentage of scheme liabilities	(0.37%)	(0.43%)	(2.11%)	0.96%	(1.94)%
Experience adjustments on scheme assets	709	44	342	400	389
Amount as a percentage of scheme assets	6.74%	0.46%	3.66%	4.55%	4.67%

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

Notes *(continued)*

25 Pension scheme (continued)

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:

	2014 %	2013 %
Discount rate	**3.70**	**4.40**
Expected rate of return on plan assets	**4.10**	**5.20**
Expected return on plan assets at beginning of the period.	**5.20**	**4.20**
Future salary increases	**n/a**	**n/a**
Other material assumptions:		
- RPI Inflation	**2.80**	**3.10**
- CPI inflation	**1.70**	**2.10**

In valuing the liabilities of the pension fund at £9,767,000 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 would have increased by 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 2014 £000	31 Dec 2013 £000	30 June 2013 £000	30 June 2012 £000	30 June 2011 £000
Present value of scheme liabilities	(9,767)	(9,223)	(9,433)	(9,092)	(8,401)
Fair value of scheme assets	10,518	9,564	9,343	8,786	8,330
(Deficit)/surplus	751	341	(90)	(306)	(71)

(b) Defined contribution scheme

The company operates the Lorne Stewart Group Personal Pension Plan defined contribution scheme for staff. The assets of this scheme are held separately from those of the company in independently administered funds. Contribution paid during the year was £1,684,000 (*2013:* £1,579,000). The unpaid employer's contributions outstanding at the year end were £142,000 *(2013:* £128,000*)*.

The Company also contributes to industry-wide pension schemes for operatives, which utilise independently administered funds with assets held separately from those of the Company.

Notes *(continued)*

26 Related party disclosures

The company enters into purchase transactions with the following related parties, these transactions are under terms no less favourable than those arranged with third parties.

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Transactions made during the year:				
Stanhope Capital LLP	42	31	42	31
Rezayat Europe Ltd	178	57	3	-
MDSL Ltd	2,866	2,751	2,735	2,248
	3,086	2,839	2,780	2,279
Amount due to the following companies at the year end:				
Stanhope Capital LLP	-	-	-	-
Rezayat Europe Ltd	154	52	3	-
MDSL Ltd	1,101	1,569	1,056	1,211
	1,255	1,621	1,059	1,211

During the year the Directors have waived £12,000 of charges relating to management services provided by Lorne Stewart PLC to MDSL Limited.

27 Parent undertaking and controlling party

The Company's immediate parent undertaking is Pearl Holdings (Bermuda) Limited incorporated and registered in Bermuda. The ultimate controlling party is Laffayette Investments Limited (registered in Jersey).