C A Sothers Limited

Annual report and financial statements
for the year ended 31 December 2013

Registered number: 2325172

Contents

Company information

Directors	P S Laidlaw M J Atkins P Hughes (appointed 10 February 2014)
Company secretary	I Rajakumar
Company number	2325172
Registered office	155 - 156 Hockley Hill Hockley Birmingham B18 5AN
Independent 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

Strategic report

The directors present their strategic report for the year ended 31 December 2013.

Review of the business

The company'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 loss for the financial year, after taxation, amounted to £1,799,000 (December 2012: loss £306,000).

As part of the group restructuring, all the Rotary companies were hived up to have a strong and simple operating entity going forward.

Competitive Risks

The recession continues to bite, making winning work at reasonable margins challenging. The company however rigorously maintains its risk management procedures to ensure that the company 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 company is subject to various construction industry specific legislations such as health and safety at the construction site, subcontractor's tax, etc. In addition compliance imposes costs and failure to comply with the standards could materially affect the company's ability to operate. Company has effective internal controls to mitigate this risk.

Financial Instrument Risks

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company'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.

Strategic report *(continued)*

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 company's profitability, company 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 company 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 company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the company.

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 S Laidlaw
Director

155-156 Hockley Hill
Hockley
Birmingham
B18 5AN

1 August 2014

Directors' report

The directors present their report and the financial statements of the company for the year ended 31 December 2013. The comparative period represents six months from 1 July 2012 to 31 December 2012.

Directors
The directors who served during the period, and up to the date of the financial statements were signed were:

P S Laidlaw
M J Atkins
P J Hughes (appointed 10 February 2014)

Dividends
No dividends were paid in the current year (31 December 2012: nil).

Future Developments
All the Rotary companies have been hived up to have a strong and simple operating entity going forward. This particular entity will ultimately act as a non trading holding company.

Events since the balance sheet date

There is no material event since the balance sheet date.

Financial instrument risk
Details of financial instrument risk are provided in the strategic report.

Going concern
These financial statements have been prepared on a going concern basis as a parent undertaking has indicated its willingness to provide financial support to the company for a period of at least 12 months from the date these financial statements were signed.

Political and charitable donations

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

Directors' report (continued)

Human resources

The company's most important resource is its people; their knowledge and experience is crucial to meeting customer requirements, and the Company recognises that by attracting, developing and maintaining quality staff it will continue to deliver the highest standards to our clients. A high level of competence is maintained through regular performance and ability reviews across all levels of our workforce, and the Company is committed to providing training and development to ensure that our workforce remains competent and safe in carrying out their daily roles and responsibilities. Our training and development policies are constantly reviewed to mirror our needs in a challenging and developing market place.

Employees

The company places great emphasis on developing a range of employment policies to encourage the commitment of employees of all levels to the success of their company. The directors are aware of their social responsibility towards disabled persons. It is company policy not to discriminate against applications for employment from disabled persons who are capable of meeting the requirements of that particular employment and to provide equal opportunity for training and advancement, in so far as circumstances permit, to all disabled persons.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

Disclosure of information to auditor

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 company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent 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.

This report was approved by the board on **0 1 AUG 2014** and signed on its behalf.

P S Laidlaw
Director

155-156 Hockley Hill
Hockley
Birmingham
B18 5AN

1 August 2014

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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.

Independent auditor's report to the members of C A Sothers Limited

We have audited the financial statements of C A Sothers Limited for the year ended 31 December 2013, which comprise the company profit and loss account, the company balance sheet, the statement of total recognised gains and losses and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 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 Strategic report and 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 company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of C A Sothers Limited *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

E.Y. LLP

David Wilson (Senior Statutory Auditor)
For and behalf of Ernst & Young LLP
Statutory Auditor

0 1 AUG 2014

Profit and loss account
For the year ended 31 December 2013

	Note	Year ended December 2013	Six month ended December 2012
		£'000	£'000
Turnover	2	**12,193**	10,789
Cost of sales		**(12,913)**	(10,758)
Gross (loss) / profit		**(720)**	31
Administrative expenses	3	**(1,167)**	(733)
Exceptional items	4	**-**	(321)
Operating loss		**(1,887)**	(1,023)
Profit on sale of fixed assets		-	8
Interest receivable and similar income		-	-
Loss on ordinary activities before taxation		**(1,887)**	(1,015)
Tax on loss on ordinary activities	7	**88**	709
Loss for the financial period	14	**(1,799)**	(306)

All amounts relate to discontinued operations

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

	2013	2012
	£000	£000
Loss for the financial year	**(1,799)**	**(306)**
Capital Contribution from Parent Company	3,822	-
Total gain since last annual report	2,023	(306)

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical costs equivalents.

The notes on pages 12 to 20 form part of these financial statements.

Balance sheet
As at 31 December 2013

	Note	£'000	2013 £'000	£'000	2012 £'000
Fixed assets					
Tangible assets	8		-		17
Current assets					
Stocks	9	-		18	
Debtors: amounts falling due within one year	10	125		5,072	
: amounts falling due after one year	10	-		131	
Cash at bank and in hand		-		178	
		125		5,399	
Creditors: amounts falling due within one year	11	-		(7,309)	
Net current asset / (liabilities)			125		(1,910)
Net assets/ (liabilities)			125		(1,893)
Capital and reserves					
Called up share capital	13		125		125
Profit and loss account & reserves	14		-		(2,018)
Total shareholders' fund / (deficit)	15		125		(1,893)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

P S Laidlaw
Director
0 1 AUG 2014
The notes on pages 12 to 20 form part of these financial statements

Notes

(forming part of the financial statements)

1. Accounting policies

1.1 Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (United Kingdom Generally Accepted Accounting Practice). The principal accounting policies, which have been applied consistently throughout the period, are set out below.

As the company is a wholly owned subsidiary of a parent company which produces consolidated financial statements in which the company is included, and which are publicly available, the company has taken advantage of the exemption in FRS1 (revised 1996) not to prepare a cash flow statement.

1.2 Going concern

These financial statements have been prepared on a going concern basis as a parent undertaking has indicated its willingness to provide financial support to the company for a period of at least 12 months from the date these financial statements were signed.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	-	25% on reducing balance
Motor vehicles	-	25% on reducing balance
Fixtures and fittings	-	30% on reducing balance
Computer equipment	-	25% straight line

1.4 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.

1.5 Turnover

Turnover represents the value of contracting work executed during the year, excluding value added tax.

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

1.6 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

1.7 Pensions

The Company operates a defined contribution scheme for those employees not covered by the above scheme. The cost of funding the defined contribution scheme is charged to the profit and loss account as incurred.

1.8 Leasing and hire purchase agreements

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2. Turnover

Turnover relates to the company's main activity which is carried out in the United Kingdom.

3. Operating expenses

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

	Year ended December 2013 £'000	Six month period ended December 2012 £'000
Depreciation of tangible fixed assets	**11**	64
Auditor's Remuneration	**5**	10
Operating Lease Rentals	**4**	4
Hire of plant and machinery	**178**	67
Staff costs (note 5)	**2,766**	1,929
Restructuring costs	**68**	80

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

4. Exceptional items

	Year ended December 2013 £000	Six month period ended December 2012 £000
Waiver of amounts owed by former group undertakings	**-**	321

5. Employee information

Staff costs, including directors' remuneration, were as follows:

	Year ended December 2013 £'000	Six month period ended December 2012 £'000
Wages and salaries	**2,504**	1,776
Social security costs	**257**	138
Other pension costs	**5**	15
	2,766	1,929

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended December 2013 Number	Six month period ended December 2012 Number
Operatives	**25**	51
Office and management	**23**	19
	48	70

6. Directors' remuneration

	Year ended December 2013 £'000	Six month period ended December 2012 £'000
Aggregate emoluments	**117**	80

During the year retirement benefits were accruing to 1 Director (December 2012-1) in respect of money purchase schemes.

The highest paid director received remuneration of £87,000 (December 2012: £45,000).

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

7. Tax on loss on ordinary activities

	Year ended December 2013 £'000	Six month period ended December 2012 £'000
UK corporation tax credit on loss for the year	(88)	578
Deferred tax credit	-	131
	(88)	709

Factors affecting tax charge for the year/period

The tax assessed for the period is lower than (December 2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (December 2012 - 24%). The differences are explained below:

	Year ended December 2013 £'000	Six month period ended December 2012 £'000
Loss on ordinary activities before tax	**(1,887)**	(1,015)
Loss on ordinary activities multiplied by standard rate of corporation tax in UK of 23.25% (December 2012 – 24%)	**(439)**	(243)
Effects of:		
Intercompany loan written off /gain not taxable	-	77
Losses carried forward for which a deferred tax asset is not recognised	-	27
Group relief	**360**	(439)
Other short term timing differences	(32)	-
Other non taxable income	23	-
Current tax credit for the period	**(88)**	(578)

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)*
(forming part of the financial statements)

8. Tangible fixed assets

	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 January 2013	21	287	40	156	504
Additions	1	-	-	1	2
Disposals	(21)	(141)	(40)	-	(202)
Transfer to parent company	(1)	(146)	-	(157)	(304)
At 31 December 2013	-	-	-	-	-
Accumulated depreciation					
At 1 January 2013	21	279	40	147	487
Charge for the year	-	6	-	5	11
Disposals	(21)	(141)	(40)	-	(202)
Transfer to parent company	-	(144)	-	(152)	(296)
At 31 December 2013	-	-	-	-	-
Net book value					
At 31 December 2013	-	-	-	-	-
At 31 December 2012	-	8	-	9	17

9. Stocks

	December 2013 £'000	Six month period ended December 2012 £'000
Finished goods and goods for resale	-	18

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

10. Debtors

	December 2013 £'000	Six month period ended December 2012 £'000
Amounts recoverable on contracts	-	1,257
Trade debtors	-	2,168
Amounts owed by current group undertakings	**125**	443
Group relief recoverable	-	578
Other debtors	-	65
Prepayments and accrued income	-	561
Deferred tax	-	131
	125	5,203

Amounts falling due after more than one year are

	December 2013 £'000	Six month period ended December 2012 £'000
Deferred tax	-	131
	-	131

11. Creditors: Amounts falling due within one year

	December 2013 £'000	Six month period ended December 2012 £'000
Trade creditors	-	6,675
Amount owed to current group undertaking	-	365
Social security and other taxes	-	89
Accruals and deferred income	-	180
	-	7,309

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

12. Deferred tax asset

	December 2013 £000	Six month period ended December 2012 £000
At beginning of year	**131**	-
Credited to the profit and loss account	-	131
Transferred to parent company	**(131)**	-
At end of year	-	131

The deferred tax asset is made up as follows:

	December 2013 £000	Six month period ended December 2012 £000
Tax losses carried forward	-	131

13. Called up share capital

	December 2013 £'000	Six month period ended December 2012 £'000
Allotted, called up and fully paid		
5,000- Ordinary shares of £1 each	**5**	5
120,000- Non-voting deferred shares of £1 each	**120**	120
	125	125

14. Reserves

	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2013	5	(2,023)
Loss for the financial period	-	(1,799)
Transfer to Parent Company	(5)	-
Capital contribution from parent company	-	3,822
At 31 December 2013	-	-

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

15. Reconciliation of movement in shareholders' deficit

	December 2013	December 2012
	£000	£000
Opening shareholders' deficit	**(1,893)**	(1,587)
Loss for the financial period	**(1,799)**	(306)
Transfer to parent company	**(5)**	-
Capital contribution from parent company	**3,822**	-
Closing shareholders' fund /(deficit)	**125**	(1,893)

16. Other financial commitments

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

	Vehicle	Vehicle
	December 2013	December 2012
	£000	£000
Operating leases which expire:		
Within one year	-	-
Between one and 5 years	-	7
Over 5 years	-	28
	-	35

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

17. Related party transactions

Related parties consist of other Rotary companies in the United Kingdom, MDSL Limited, and Lorne Stewart PLC. During the year the group entered into transactions, in the ordinary course of the business, with related parties transactions entered into, and balances outstanding with related parties, are as follows:

Amount owed (to)/from related party:

	December 2013 £'000	**Six month period ended December 2012** £'000
Amount owed by current group undertakings	**125**	443
Amount owed to current group undertakings	-	(365)

Amount of transactions:

	December 2013 £'000	Six month period ended December 2012 £'000
Sale	-	**3**
Transfer of net liability to parent company	**3,817**	-
Waiver of amounts owed	-	**321**

18. Ultimate parent undertaking and controlling party

The Company is a subsidiary undertaking of Rotary Building Services Limited, which is itself a subsidiary undertaking of Lorne Stewart PLC, incorporated in England.

The ultimate controlling party is Laffayette Investments Limited (incorporated and registered in Jersey). The smallest group in which the company is consolidated is that headed by Rotary Building Services Limited. Copies of Rotary Building Services Limited's accounts may be obtained from the Company Secretary, Stewart House, 420 Kenton Road, Harrow, Middlesex, HA3 9TU.