Lorne Stewart Plc

Summary report and accounts **2015**

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CHAIRMAN'S REPORT

To the stakeholders of Lorne Stewart plc:

Last year, our Group endured tough sledding. Revenues for the year were £200.1 million, down marginally by 1% from the previous year of £202.5 million. Pre-tax profits declined more severely to £3.6 million, off 21% due primarily to two problem contracts and investment in higher overhead primed to help the Group expand. Average headcount was largely flat at 1,210 employees spread amongst 19 offices. Cash at year-end was down 12% to £15.1 million due to reduced profits and the changed working capital dynamic in the industry.

Every so often, it's important to take stock of our long term progress and recalibrate – and while there's nothing sacrosanct about any particular time period, there's something wholesome about 10 years. Over the last decade, Lorne Stewart's three year rolling average pre-tax profits (in order to iron out any aberrations) have been static at circa £4.6 million in the three years to 2006 and near the same level in those to 2015. During those years, however, we've: (A) improved the processes, controls and financial consistency of Contracting (today much improved but never fully rid of the odd problematic contract), (B) tried to grow FM Services (some strides but still work in progress), (C) started an offsite modular design initiative from scratch in MDSL (slow start but a successful and valuable contributor to the Group today) and (D) acquired a distressed competitor Rotary Group to complement and bolster our Contracting operations (difficult turnaround but finally coming right).

Over a similar ten year period, an equally-weighted index of our UK listed peer group (both customers and competitors alike in the construction industry) has declined by nearly 20%. Moreover, the index started and ended the period based on circa 19x forward price/earnings multiples thereby demonstrating real earnings deterioration. Lest you think we are resting on our laurels – we aren't. While we've done reasonably well on a relative basis, we really haven't even beaten basic GDP growth in that time.

According to EuroConstruct 2015, the UK construction industry is expected to grow 3.5-4.0% per annum over the next several years, or approximately twice the rate of the overall UK economy. Certain sub-segments are expected to lead this growth, namely commercial and infrastructure, but even residential shows robust demand. The UK residential market shows the need for 200,000 homes per year and yet the industry struggles to even get close to this figure. The FM services market, on the other hand, is forecasting slightly more anaemic growth of 2-4% per annum. All this said, the issue is profitability. Construction industry margins are rebounding to circa 1.5-2.5% but these paltry sums leave no margin for error. Every year, players large and small throughout the value chain get caught out and bleed red. Moreover, for years the industry operated capital light but even this has changed significantly as the negative working capital cycle has yielded to a positive working capital investment. Finally, the labour market (the most significant factor input) is tight. Britain's overall unemployment is near 5% while the industry's is near half that at 3%.

In summary, our core markets are growing more than they have in years (and are positioned reasonably well versus the overall economy) but our core business is still fundamentally challenged by low margins (one misstep and you're in the red), a plethora of competitors (experience counts for pre-quals but barriers to entry are relatively low) and tight input markets (labour commands a premium). Putting all these components together, it's increasingly clear that we need to accelerate the identification, evaluation and development of new diversifying businesses that still tie into our core competencies – businesses that manifest higher and more consistent returns on investment in the future.

It's the season of annual letters and one that shines quite brightly is Jeff Bezos' of Amazon wherein he says,
"...failure and invention are inseparable twins. To invent you have to experiment, and if you know in advance that it's going to work, it's not an experiment. Most large organizations embrace the idea of invention, but are not willing to suffer the string of failed experiments necessary to get there."

So get ready for more experiments.

We enter the year with the same passion and determination to be the leading mechanical and electrical engineering player in the UK but with an equal drive to expand our business beyond those two traditional sectors. On behalf of our company, board and shareholders, we thank our customers and suppliers for placing their confidence in us to perform for them. Moreover, we express our deepest gratitude to our people. As ever, we strive to warrant their continued trust.

Respectfully,
Tarek AbuZayyad
Chairman

Tarek AbuZayyad
Group Chairman

Jacob Kurian
Group Director

P M Mathew
Group Finance Director

Graham Thwaites
Group CEO

Gary Worrall
CEO Lorne Stewart
Engineering

Peter Lewis
Executive & Strategic
Director

Paul Hughes
Group Commercial
& Legal Director

Inbaraj Rajakumar
Group Company
Secretary

REPORT OF THE DIRECTORS

The following is an extract from the Report of the Directors including the Groups full Report and Accounts for the year ended 31st December 2015.

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

	2015	2014 restated	Change
	£000	£000	%
Turnover	200,253	202,540	-1%
Operating profit	3,733	4,633	-19%
Profit before tax	3,587	4,561	-21%
Profit after tax	2,809	3,550	-21%
Shareholders' funds	24,459	20,467	+20%
Current assets as % of current liabilities	130%	119%	+9%
Average number of employees	1,210	1,255	-4%

Group Turnover marginally reduced by 1% in 2015 and the operating profit decreased by 19% in the year. The Rotary Companies produced a turnover of £55.6M and suffered £0.17M loss after tax and goodwill amortisation of £0.6M. The company bought the ownership of MDSL Ltd, a company under common ownership, on 30th April 2015 with an aim to maximise the opportunities and synergy savings. The 2015 trading result include the post acquisition results of MDSL Ltd.

Though the market especially in London, has been improving, the project slippages and increased staff cost to attract best talents, affected the overall profit for the year. Our policy of being selective in tendering in the general market and maximise opportunities through our Frameworks and Strategic Partnerships, helped to us to continue to be profitable in the difficult market.

Shareholders' funds increased by 20% in the year, as a result of current year positive trading results and the reduced pension deficit. The Group's 'quick ratio' (current assets as a percentage of current liabilities) has increased to 130%. The average number of employees decreased by 4%.

COMPETITIVE RISKS

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

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

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.

GROUP TURNOVER

£200,253,000

PROFIT BEFORE TAX

£3,587,000

REPORT OF THE DIRECTORS CONTINUED

ROSPA 2015 GOLD MEDAL Award

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.

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. The Rotary Companies generated a positive earnings before interest, taxes, depreciation and amortization (EBITDA) of £496,000 against last year's negative EBITDA of (£720,000). During the year the company bought the ownership of MDSL Ltd, a leading prefabrication company to exploit the growing demand for the prefabrication works in the construction industry.

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

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 £1,850 *(2014: £3,620)*. The Group has not made any political donations nor incurred any political expenditure during the year *(2014: £nil)*.

SAFETY, HEALTH, ENVIRONMENT & QUALITY (SHEQ)
As a Company, we have achieved accreditation to ISO 9001 Quality, ISO 14001 Environment and OHSAS 18001 Health & Safety. The Company's dedication to providing a safe working environment for its staff has been recognised at the highest levels of achievement by the award of the coveted Gold Medal by ROSPA.

Our regions are pushed to achieve conformance to policies and processes and are subjected to regular audits to ensure we maintain our accreditations. We take our policy responsibilities seriously, not just for our clients, but for our staff and our other stakeholders. Our projects have high levels of interface with the public and the surrounding environment so our policies are strictly developed to reflect our commitment to our health, safety and environmental objectives.

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

THE FUTURE LOOKS PROMISING WITH THE CURRENT HEALTHY WORKLOAD ESPECIALLY IN THE LONDON MARKET.

TRAINING

The Group continues the commitment to ongoing training to all levels of employees. Training is carried out in Health & Safety, Technology, HR and Management skills. Management receive training in all areas to ensure that they are up to date with best practice. Employees continue to receive training in certain chosen fields by going to external providers.

Managers receive one to one training ensuring toolkits and guidelines are available to them. In house training sessions are provided to ensure management are up to date with employment law. We continue working towards ensuring that the Lorne Stewart Group is an employer in our industry.

EMPLOYEE INVOLVEMENT

We continue to publish our in-house magazine 'Touchline' which keeps all the employees up to date with company news. We also ensure up to date information on the company is available on the intranet and recently roadshows took place to update employees on the way forward.

Regional and Branch meetings continue to take place, which include local toolbox talks and employees.

Employees at all levels are encouraged to participate directly in the success of the business through the bonus based scheme. For our chosen charity 'Barnardo's' employees regularly take part in events to raise money.

EMPLOYMENT OF DISABLED PERSONS

Lorne Stewart are committed to support the promotion of equality between disabled people and others in respect of all employment matters, continuously ensuring ways in which to improve working conditions and career progression.

EQUAL OPPORTUNITIES

The Group are committed to implement the legislations and codes of practice. We ensure all our policies are in line with the Equalities Act. The Group is an equal opportunities 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 any other factors that lead to employees being disadvantaged by conditions or requirement.

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

10th March 2016

GROUP INCOME STATEMENT

for the year ended 31 December 2015

	Note	2015 £000	2015 £000	2014 restated £000	2014 restated £000
GROUP TURNOVER	2				
Continuing operations		196,956		202,540	
Acquisitions		3,297		-	
			200,253		202,540
Cost of sales					
Continuing operations		(183,216)		(189,326)	
Acquisitions		(2,786)		-	
			(186,002)		(189,326)
GROSS PROFIT			14,251		13,214
Administrative expenses net of rental income		(9,870)		(7,970)	
Goodwill amortisation		(648)		(611)	
Administrative expenses			(10,518)		(8,581)
GROUP OPERATING PROFIT					
Continuing Operation		3,555		4,633	
Acquisition		178		-	
			3,733		4,633
Profit on sale of fixed assets	5		72		70
Interest receivable and similar income			100		115
Other finance cost			(318)		(257)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			3,587		4,561
Tax on profit on ordinary activities			(778)		(1,011)
PROFIT FOR THE FINANCIAL YEAR			2,809		3,550

Movements on reserves are shown in note 11.
The Summary Report and Accounts on page 6 and 8 and notes on pages 9 and 13 are an extract from the statutory accounts for the year 2015 which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified audit report.

The Summary Report and Accounts do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Full annual accounts and auditors report are available on request.

GROUP STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2015

	Note	2015 £000	2015 £000	2014 restated £000	2014 restated £000
FIXED ASSETS					
Tangible assets	6		5,540		5,987
Goodwill			10,331		10,701
Investment			-		-
			15,871		16,688
CURRENT ASSETS					
Stock		70		-	
Debtors:					
amounts falling due within one year		44,229		48,656	
amounts falling due after one year	7	9,318		10,758	
		53,617		59,414	
Cash at bank and in hand	9	15,128		17,234	
		68,745		76,648	
Creditors:					
amounts falling due within one year	10	(52,933)		(64,202)	
Net current assets			15,812		12,446
Total assets less current liabilities			31,683		29,134
Pension liabilities			(7,224)		(8,667)
NET ASSETS			24,459		20,467
CAPITAL AND RESERVES					
Share capital	12		5,211		5,211
Profit and loss account	11		18,686		14,685
Revaluation reserve			562		571
SHAREHOLDERS' FUNDS	11		24,459		20,467

Approved by the board on 10th March 2016:

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	2015 £000	2015 £000	2014 restated £000	2014 restated £000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		(1,646)		4,022
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Net interest received		98		216
TAXATION				
Corporation tax paid		(738)		(1,443)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire tangible fixed assets	(175)		(238)	
Receipts from sales of tangible fixed assets	355		1,002	
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		180		764
INCREASE/(DECREASE) IN CASH IN THE YEAR		(2,106)		3,559

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	2015 £000	2014 restated £000
Profit for the financial year	2,809	3,550
Actuarial gain/(loss) on defined pension schemes	1,650	(2,677)
Deferred tax on the actuarial gain/loss	(314)	536
Effect of decreased tax rate	(153)	-
Transitional adjustment (net of deferred tax)	-	273
Total gain relating to the year	3,992	1,682

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2015

1 ACCOUNTING POLICIES

Statement of compliance

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2015.

The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 27.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. 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 impairment.

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% - 50%
Freehold buildings	2%

No depreciation is provided on freehold land.

Goodwill and negative goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life. Goodwill acquired in a business combination is, form the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination. If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

Discounted Cash flow projection has been used to perform annual impairment assessment of Goodwill. The discount rate is based on cost of capital.

Investment properties

Certain of the group's properties are held for long-term investment. Investment properties are accounted for as follows:

Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the profit and loss account accumulated in the profit and loss reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year. Rental income is recognised on accruals basis and adjusted for any lease incentives over the life of the lease.

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.

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 102. The company closed the main scheme to future accrual on 30 September 2006, as detailed in note 24(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.

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2015

Long term contracts

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

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

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

Cash

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

Interest Income

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

Loan Notes

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

Short term debtors and creditors

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

Stock

Stock are valued at the lower of purchase or production cost and net realisable value.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value at 31 December 2015. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. Pension estimates are covered under pension notes in detail.

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 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	
	2015	2014
Office and management	463	471
Production and sales	747	784
	1,210	1,255

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	46,145	45,985
Social security costs	4,443	4,552
Pension costs:		
Defined benefit	40	49
Defined contribution	2,316	2,135
	52,944	52,721

4 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit in respect of the company for the year ended 31 December 2015 was **£2,877,000** (2014 restated: £4,473,000).

5 PROFIT ON SALE OF FIXED ASSETS

Group	2015 £000	2014 £000
Profit on sale of fixed assets	72	70

6 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	1,823	5,985	6,203	1,867	15,878
Acquired in business combination	103	-	23	-	126
Additions	-	-	175	-	175
Disposals	(290)	-	(35)	(450)	(775)
At end of year	1,636	5,985	6,366	1,417	15,404
Depreciation					
At beginning of year	1,227	1,218	5,739	1,707	9,891
Charge for year	101	76	213	75	465
On disposals	(16)	-	(34)	(442)	(492)
At end of year	1,312	1,294	5,918	1,340	9,864
Net book value					
At 31 December 2015	**324**	**4,691**	**448**	**77**	**5,540**
At 31 December 2014	**596**	**4,767**	**464**	**160**	**5,987**

7 DEBTORS

	2015 £000	2014 restated £000
Trade debtors	19,428	16,219
Gross amount due from customers for contract works	26,535	34,920
Prepayments and accrued income	3,039	3,339
Amount due from related/group undertaking	-	-
Deferred tax assets (note 8)	2,651	3,229
Other debtors	1,894	1,707
	53,547	59,414

Amounts falling due after more than one year included above are:	2015 £000	2014 restated £000
Trade debtors	6,667	7,529
Deferred tax assets	2,651	3,229
Due from related / Group company	-	-
	9,318	10,758

NOTES TO FINANCIAL STATEMENTS

for the year ended 31 December 2015

8 DEFERRED TAX

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

	£000
At 1 January 2015	3,229
Movement during year:	
Accounted for in the Income Statement	(111)
Accounted for in the Statement of Comprehensive Income	(467)
At 31 December 2015	**2,651**

The deferred taxation included in the financial statements is as follows:	2015 £000	2014 restated £000
Accelerated capital allowances	**(206)**	(167)
Loss carried forward and other deductions	**1,066**	1,299
Other timing differences	**1,791**	2,097
	2,651	3,229

The Group holds tax losses of £9,950,000 (2014: £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 £1,890,000 of which £824,000 (2014: £1,055,000) 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.

9 CASH IN BANK AND IN HAND	2015 £000	2014 £000
At 1 January	17,234	13,675
Net cash flow in year	(2,106)	3,559
At 31 December	15,128	17,234

Cash balance includes a sum of £6.1M held in short term bank deposits with interest.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2015 £000	2014 restated £000
Trade creditors	42,692	45,286
Amount owed to related party	476	1,255
Accruals	5,239	12,109
Gross amount due to customers for contract works	1,233	2,293
Other creditors, taxation and social security	3,165	3,176
Corporation tax	128	83
	52,933	64,202

11 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Revaluation reserve £000	Share capital £000	Profit and loss account £000	Total £000
Profit for the year	-	-	2,809	2,809
Actuarial gain on pension schemes (net of deferred tax).	-	-	1,336	1,336
Effect of decreased tax rate	-	-	(153)	(153)
Added during the year	(9)	-	9	-
Net (decrease)/increase to shareholders' funds	(9)	-	4,001	3,992
As at 1 January 2015 (restated)	**571**	**5,211**	**14,685**	**20,467**
As at 31 December 2015	**562**	**5,211**	**18,686**	**24,459**

12 CALLED UP SHARE CAPITAL	2015 £000	2014 £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

DIRECTORS, AUDITORS AND BANKERS

DIRECTORS
T AbuZayyad
P M Mathew
G R Worrall
J Kurian
P Hughes
G Thwaites
(appointed on 9 July 2015)
P Lewis
(appointed on 9 January 2016)
P Laidlaw
(left on 12 November 2015)

SECRETARY
I Rajakumar

AUDITORS
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1 More London Place
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United Kingdom

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1 Churchill Place
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