Lakehouse plc

Annual Report 2015

The Lakehouse Way

Who we are

Lakehouse is an asset and energy support services group, focused on customers and their communities. We make a difference to people's lives by constructing, improving, maintaining and providing services to homes, schools, public and commercial buildings.

Lakehouse was founded in 1988 and we have grown consistently since, achieving revenue of £340.2m in 2014/15. With our headquarters in Romford, Essex, we employ more than 2,400 people through 35 offices across the UK.

Lakehouse listed on the Main Market of the London Stock Exchange in March 2015.

Strategic Report

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More online
You can find more about our business on our website at www.lakehouse.co.uk/about-us/manifesto

Why invest in Lakehouse?

– We have a reputation for delivering for our customers, which has enabled us to build productive long term relationships and a well-respected brand
– We are well positioned in large and fragmented markets, providing us with a pipeline of high-quality opportunities
– We have a proven growth strategy and the financial resources to successfully implement it
– We are building a broadly based business, which is less dependent on any one region, market or service
– Our order book gives us good visibility for our future growth plans
– We turn a high proportion of our profits into cash, giving us the funds to invest and to reward shareholders through dividends

More online
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How we measure success

To us, success means:
- Delighting our customers by delivering great service
- Keeping our people safe

Which helps us to:
- Win new work and retain our existing contracts
- Expand our business by cross-selling and entering new regions

Which in turn leads to:
- A rising order book and high revenue visibility
- Growing revenues and profits, which deliver value to shareholders

Our locations

What we do

We provide our services through four divisions:

Regeneration
Regeneration provides planned and responsive maintenance services for social housing clients, which are mainly local authorities and housing associations. The division operates through three businesses: Regeneration (South), Regeneration (East) and Regeneration (North).

Compliance
Compliance comprises planned and responsive maintenance, installation and repair services to local authority and housing association clients, in the areas of gas, fire and electrical, water and air hygiene, and lifts. These services cover clients' social housing and public building assets.

Energy Services
Energy Services provides a range of energy efficiency services for primarily social housing and private homes. The division also uses these services to deliver carbon emissions savings for energy companies, enabling them to meet their legislative targets. In addition, the division offers renewable technologies, smart metering services and energy brokerage to customers throughout the UK.

Construction
Construction offers refurbishment and small to medium-sized public building works, predominantly for local authority clients. The division focuses on clients in the education sector, although it also delivers some works to a range of other public buildings.

Our history

1988
- Lakehouse founded

2008
- Strategic business review

2010
- Announced Contractor of the Year at ***Building*** **Awards**

2011
- K&T Heating acquired

2012
- Allied Protection acquired

2013

April
- Launch of new Lakehouse brand

September
- Announced Contractor of the Year at ***Building*** **Awards** for second time

October
- Foster Property Maintenance acquired

2014

April
- Everwarm acquired
- Rolled out the Customer Journey

October
- H2O Nationwide acquired

2015

March
- Admission to London Stock Exchange

May
- Providor acquired
- Winners of ***Housing Excellence Customer Service*** **Award**

July
- Orchard Energy acquired

September
- Sure Maintenance acquired

November
- Aaron Services acquired

December
- Precision Lifts acquired

Our manifesto

We work with our customers to build solutions that make a difference to the lives of their customers.

We are here for the long term and aim to grow our relationships. We want our communities to thrive.

We make an impact through the depth of our expertise, so we deliver what our customers want.

We make an impact through deeper relationships. We call it the 'Lakehouse Way' of doing things.

The following pages describe this in more detail.

Financial highlights

£336.6m
Underlying[2] revenue

£340.2m
Revenue

£22.2m
Underlying[1] EBITA

6.6%
Underlying[1] EBITA margin

£21.6m
Underlying[2] profit before tax

£4.6m
Operating profit

£3.2m
Profit before tax

13.7p
Underlying[2] basic EPS

1.9p
Basic EPS

£6.6m
Net cash

1.9p
Dividend per share

1. EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is defined as operating profit before deduction of exceptional and other items, as outlined in Note 7 and on the face of the income statement. Underlying EBITA is the same as 'Operating profit before exceptional and other items' on the face of the financial statements, but used as terminology in light of being a key performance measurement for management in the Group.
2. As set out in the income statement, other underlying numbers are stated before deduction of exceptional and other items, as outlined in Note 7 and on the face of the income statement. Underlying profit after tax and underlying earnings per share are net of an imputed tax charge. Underlying revenue represents revenue for the underlying Group and excludes contract losses on businesses being exited.

We provide a broad and growing range of services to customers across the public and private sectors. But no matter what we are doing or who we are doing it for, we are proud to follow the 'Lakehouse Way' of working.

More online
You can find more about our business on our website at www.lakehouse.co.uk/about-us/manifesto

The Lakehouse Way

We are customer-centric

Our business revolves around the customers we work with. This ensures that everyone at Lakehouse – not just our front line employees – is always focused on our customers' needs.

15,817

training hours completed by our employees

The Lakehouse Way

We believe in building to last

Our long term approach is reflected in the quality of our work and in the strength and depth of the relationships we develop.

93%
customer satisfaction

More online
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The Lakehouse Way

We leverage our expertise for every job

Our top technical specialists support our customer-facing teams and share new ideas across our business, so all our customers benefit.

35

offices across the UK

The Lakehouse Way

We put our customers first

Our priorities and our success are determined by our impact on our final customers – the residents, teachers, pupils, members of staff and the general public who benefit from our work on their homes, schools, public and commercial buildings.

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frameworks at 30 September 2015

More online
You can find more about our business on our website at www.lakehouse.co.uk/about-us/manifesto

The Lakehouse Way

We 'keep it real'

We are passionate about our work and always look for opportunities to make a real difference to people.

£595m

Group order book

More online
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Executive Chairman's Statement

I am pleased to report that we delivered a good operational and financial performance during a year of important change. As well as our successful IPO in March 2015, we made excellent progress with our organic and acquisitive growth strategy, completing four value-enhancing acquisitions in the period.

Stuart Black
Executive Chairman

Welcome to our first Annual Report.

Introduction

I am pleased to report that we delivered a good operational and financial performance during a year of important change. As well as our successful IPO in March 2015, we made excellent progress with our organic and acquisitive growth strategy, completing four value enhancing acquisitions in the period.

Our focus on customers lies at the heart of our success. It ensures we meet their needs through great service, which in turn supports our organic growth, our ability to cross-sell and our geographic expansion. Consistent delivery underpins both our strategy and our financial performance.

Trading performance

Our results for the year demonstrate organic growth and the success of recent acquisitions. We increased underlying revenue by 11.3% to £336.6m (2014: £302.5m) with organic revenue up 2.5%. The results included the first full year of Everwarm (acquired in April 2014) and H2O Nationwide (acquired in early October 2014), along with a small contribution from Providor, Orchard Energy and Sure Maintenance, all of which were acquired in the second half of the year. Revenue was £340.2m (2014: £302.5m).

Underlying EBITA increased significantly to £22.2m (2014: £10.8m), representing an improved margin of 6.6% (2014: 3.6%). Underlying profit before tax increased 114.2% to £21.6m (2014: £10.1m). Underlying profit after tax was £17.5m (2014: £8.8m), resulting in underlying basic earnings per share of 13.7p (2014: 11.7p). Profit after tax was £2.4m (2014: loss of £(0.4)m), resulting in basic earnings per share of 1.9p (2014: loss of (0.5)p).

We were successful in winning new work. Our contract wins in the year totalled £638m (2014: £364.5m), contributing to a year-end order book of £595m (December 2014: £503m which represents the first month we prepared comparable data).

Our strong balance sheet provides the financial resources to implement our strategy. At 30 September 2015, the Group had net cash of £6.6m (2014: net debt of £7.2m), reflecting the net proceeds from our IPO and our strong underlying operating cash conversion of 115% (2014: 143%), which was ahead of our long term sustainable target of 80%. We also strengthened the Group's financial position ahead of the IPO with a new £30m revolving credit facility from the Royal Bank of Scotland, which gave us additional resources to support our strategic acquisition programme. Since the end of the year, we have extended this facility to £45m in order to finance future corporate development activity.

Strategy

Lakehouse has an established strategy based on organic growth supplemented by value-enhancing acquisitions. Our aim is to create a sustainable business that delivers profitable growth, whilst being robust throughout the changing economic cycle. We aim to do this by developing a broad business which is less susceptible to challenges in any one geographic region, commercial market or service. We have also improved the visibility of revenues and profits by building an order book based on frameworks and invested time and money in enhancing the visibility of our opportunity pipeline.

In parallel, our plan is to deliver improved returns through moving into higher margin areas, increasing self-delivery and emphasising strong financial controls and efficiencies, with the aim of building further resilience into our business model.

Our structure of four divisions has helped us determine where we want to grow and will seek to invest, both organically and through acquisition. We expect to focus on opportunities in Compliance and Energy Services in the short term, Regeneration in the medium term, while Construction will focus on delivering the right balance of risk and return. The divisional structure, along with our established network of business relationships, enables us to identify quickly potential complementary acquisitions which can provide additional cross-selling opportunities and new services.

IPO

We are delighted with the success of our IPO and the support from our new institutional shareholders. The IPO raised net cash proceeds of £24.6m, after costs of £5.4m, to provide the resources we need to continue to implement our growth strategy.

Sound corporate governance structures have always been an element of the Lakehouse culture. As part of the IPO, we were pleased to further strengthen the Board with the appointment of Chris Geoghegan, as our Senior Independent Non-Executive Director, together with Johnathan Ford and Jill Ainscough as Independent Non-Executive Directors. We are already benefiting from their wealth of experience, from both public company and commercial backgrounds.

As part of enhancing our governance we formed a Risk Committee, which reports to the Audit Committee, and reviews all aspects of operational and strategic risk across the business.

Dividend

As Admission took place just before the half year, we did not declare a dividend for the six months ended 31 March 2015. The Board has adopted a progressive dividend policy and has proposed a dividend of 1.9p per share for the second half which, subject to shareholder approval, will be paid on 8 February 2016 to shareholders on the register at 8 January 2016. Our aim is to reward our investors while retaining capital to invest in our long term growth.

People

I want to thank everyone in Lakehouse for their hard work and contribution to this year's performance. Over the year and following the two acquisitions post year end, our employee base has more than doubled to over 2,400 as we increasingly move towards a self-delivery model. All the businesses we bought this year and since year-end are self-delivery and, collectively, they brought some 1,250 people into the Group.

We continue to invest heavily in our people, giving them the skills they need to deliver for our customers and advance their own careers. The IPO also allows our people to benefit from our success through our Save As You Earn scheme. Giving our people a sense of ownership is a key part of our culture. To this end, at the time of Admission we awarded all our employees an allocation of shares under the Group's Share Incentive Plan.

Outlook

We aim to benefit all our stakeholders. Delivering great service to our customers and developing and retaining our employees ultimately translates into value for our shareholders.

There is significant growth for us to go for in the coming years as we remain a small player in large and fragmented markets. Reflecting the scale of this opportunity, our pipeline stood at £2.8bn at the year end. We will continue to deepen our presence in our existing markets, while implementing our strategy of broadening the business and opening up new routes to growth.

With our robust order book and sales pipeline, together with our recent successful acquisitions of Aaron Services and Precision Lifts, the Board remains confident of its expectations for the current year and the future.

Stuart Black
Executive Chairman
9 December 2015

Interview with Sean Birrane, CEO

Lakehouse Chief Executive Officer Sean Birrane discusses our business, performance, strategy and plans for the future.

Sean Birrane
Chief Executive Officer

Making an impact through deeper relationships.

Q What pleased you most about this year's results?

A We delivered a strong operational and financial performance across the Group, despite the inevitable distractions of the IPO process. We acquired and integrated four new businesses and negotiated two more that completed after year-end, all to complement our Energy Services and Compliance divisions. We also established a Regeneration business in Scotland and mobilised a number of new responsive maintenance contracts within Regeneration (East). Achieving all that while staying focused on delivery is testament to the great people we have.

Q Where can you do better?

A We need to make sure we stay up to date with how our customers' needs and expectations are changing, and help them to understand which other services we can deliver for them. The acquisitions we have made over the last few years have given us new customers in new parts of the country. We have also broadened our service offering, so we have to bring our existing customers up to speed with everything we do. We need to continue to get in front of our customers and have that dialogue.

We are also looking to continuously improve, particularly through our 'Customer Journey' initiative and by using ICT. We will continue investing in both those areas to drive performance.

Q You operate in four markets – Regeneration, Compliance, Energy Services and Construction. Why these four? Could you add a fifth?

A Our divisions provide different services but to the same customers. That is an important part of our cross-selling strategy – to provide a single customer with services from all our divisions. It is more efficient for them and clearly benefits us too.

The four markets in which we operate also remain very fragmented and we still have relatively small shares of these markets. That means there is plenty of growth to go for, in markets where we are already established and have a strong reputation.

Q How significant could the commercial sector be for Lakehouse?

A Our acquisitions have made the commercial sector more important to us and there are significant opportunities there, especially for Energy Services and Compliance, albeit to provide some context, this sector still makes up less than 5% of our revenues. If we can deliver the same services, at the right margins, to the right sort of customer, then we will definitely explore those opportunities. We can also cross-sell our other services to commercial customers, as they rationalise their supply chains and use fewer service providers. There is lots of potential.

Q Will Lakehouse ultimately become a national player in its markets?

A There are certainly near term opportunities to take Compliance and Energy Services nationwide, both through organic growth and bolt-on acquisitions. We also want to continue our success in Scotland, where we have established a Regeneration business to work with our existing Energy Services customers in the public sector. But we have also got a lot more to go for in our existing regions, so it is much more about the quality of the opportunities than geographical expansion for the sake of it.

Interview with Sean Birrane, CEO
continued

Q What are the key risks to your growth plans?

A We expect that our social housing customers will be affected by Right to Buy and the cap on rents, which may mean they will have fewer properties and less income. Government policy has also influenced the Energy Services market, particularly around carbon pricing. However, we offer a broad range of services, many of which are compulsory, and we expect our clients to continue to invest in their assets.

It is also important for us to attract and retain a high-calibre workforce. As we have grown Compliance and Energy Services, we are delivering more business directly rather than through our traditional subcontracting model. We have a larger, mobile engineering workforce which we will continue to grow.

Q What difference has the IPO made to your business?

A Becoming a listed company inevitably involved strengthening our governance framework and reporting. The challenge is to make sure that does not change our culture or affect our employees at the local level. We are very conscious of that. We need to protect our entrepreneurial ethos and make sure our people can concentrate on delivering for our customers.

Q What are your plans for acquisitions?

A We are always keen to identify acquisitions and we have said that we would like to add to our Compliance, Energy Services and Regeneration businesses. We regularly assess targets, to see if they fit our criteria, which are to acquire businesses that provide us with complementary service offerings, expand our geographical reach and/or provide the opportunity to generate higher margin sales and improve cash generation. We are very selective about the businesses we acquire and highly focused on meeting these criteria. If we find targets that fit our strategy, then we have the financial strength to acquire.

We also have to be able to successfully integrate every business we buy. We put a lot of time and effort into working with and understanding our targets first, and we carefully map out the integration in advance and make sure we have buy-in for the programme from both sides. The more acquisitions we do, the better we get at it.

Q Why should potential customers choose Lakehouse?

A First and foremost, it is the quality of delivery – customers get great service when they come to us. It is also about the way we work. We provide a personal service and our customers know that if they have an opportunity or an issue, they can speak directly to the person in charge.

Finally, we have a broad range of services to offer. Even if customers do not want several services right now, they like knowing they can take them in the future. All of that translates into excellent customer satisfaction scores, strong customer relationships and good levels of repeat business.

Q What should we expect from Lakehouse in the next 12 months?

A Our aim for next year is to keep doing what we are doing. That means delivering great service to our customers and building on our reputation for delivery as a trusted partner.

Sean Birrane
Chief Executive Officer
9 December 2015

In May 2015 Lakehouse was announced Customer Service Award winner at the Housing Excellence Awards in Manchester. The nomination was based on the 'Customer Journey' initiative which focuses on people and relationships and has created a sustainable customer service model using innovative behavioural management techniques.

Our team of Resident Liaison Officers help us to retain contracts and win new work by ensuring high levels of customer satisfaction.

Company snapshot

Mission
To improve lives by creating better environments in which to live, work and learn, and to make an impact by building deeper relationships.

Vision
To be a unique and outstanding asset and energy support services group, where we lead our market, innovate in our sector, and where our people are happy and proud, working to delight our customers.

Values
- **Passion –** work with a passion for delivering our services to our customers: enthusiasm is everything
- **Care –** understand and act in the best interests of our employees, customers and partners to ensure the Lakehouse experience is a positive one
- **Keeping promises –** deliver promises on time and to the agreed standard: our word is our bond
- **Responsibility –** committed to ownership and responsibility, from individual to corporate level

Services
Regeneration, Compliance, Energy Services, Construction.

Markets
We serve three core public sector markets:
- Social housing
- Education
- Public buildings

We also increasingly serve clients who own industrial and commercial buildings.

Business model
Our business model is based on our commitment to delivering great service to our customers, which in turn enables us to create value for all our stakeholders.

Strategy
We have a five-part strategy, each element of which reinforces the others:
- Driving organic growth
- Increasing cross-selling
- Expanding our geographical footprint
- Increasing self-delivery
- Making complementary acquisitions

KPIs
We measure the success of our strategy using the following indicators:
- Revenue
- Underlying EBITA
- Order book
- Underlying operating cash conversion
- Accident Incident Rate
- Management retention rate
- Customer satisfaction
- Carbon usage

Resources, relationships and sustainability
The resources and relationships that are central to our business model, as well as our broader approach to responsible business, fall into four main categories:
- Workplace
- Marketplace
- Community
- Environment

Market overview

We operate in attractive, long term growth markets, which offer us considerable potential to expand in the coming years.

Our markets

Our divisions primarily serve public sector customers in the social housing, education and public buildings markets. We also serve customers in the industrial and commercial market.

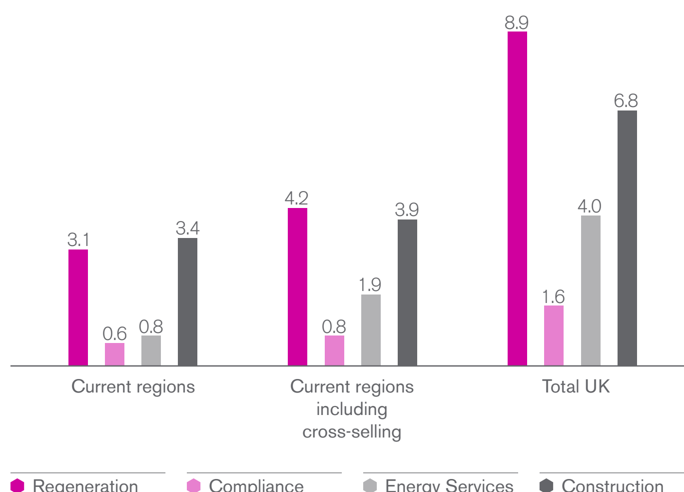
Our markets and primary customers are:

Division	Customers
Regeneration	Social housing providers, which are mainly local authorities and housing associations, in London, the South East, East Anglia, the East Midlands and Scotland.
Compliance	Social housing providers and some commercial customers, with the majority of our business in London, the South and the South East, and a recently established presence in the North of England and the Midlands.
Energy Services	Private and social housing providers, public and commercial building owners, five of the Big Six and the key independent energy utility companies and the Scottish Government, as well as customers nationwide for smart meters and energy brokerage.
Construction	Education customers in London and the South East, as well as the Ministry of Defence and other public buildings.

Large and fragmented markets

At the time of our IPO in March 2015, we estimated our addressable market at £7.9bn, rising to £10.8bn including cross-selling opportunities. This estimate only considered the regions we operated in, with the total UK market being in excess of £21bn. Since then, the acquisitions we have made have further increased our addressable market, by broadening our geographical reach and the range of services we offer.

Markets
£bn



The markets we serve are highly fragmented. We compete with national businesses in some of our markets, including Kier Group, Keepmoat, Mitie and Mears. We also compete with many smaller, regional players. However, few companies compete with us across all of our markets. The fragmented nature of the markets in which we operate gives us scope to grow, both organically and by acquisition.

What drives our markets?

A number of powerful factors create demand for our services:

Budgets are under pressure
The Government has an ongoing programme to reduce public spending. While the services we provide have been relatively protected from these pressures, our customers still need to procure more cost-effective services. This is leading them to contract with providers such as us, with a strong reputation for delivery. Customers are also rationalising their supply chains to increase efficiency, which plays to our strengths given our breadth of services.

Customers must comply with regulations
We help many of our customers to meet their legal or regulatory obligations. For example, social landlords are by law obliged to maintain housing stock to a designated standard. The UK's failure to build enough social housing means the existing stock is ageing, increasing the need for refurbishment and repair. Compliance services are also frequently mandatory and driven by regulation. This creates predictable demand for these services.

Customers have environmental obligations
Improvements to energy efficiency are an important part of the Government's long term energy policy, with the aim of tackling climate change and reducing fuel poverty. In the Energy Services market, we help customers to improve their properties' environmental performance. This both protects the environment and, for housing tenants, helps to cut their energy bills.

Demographic trends are favourable
The growing population has created considerable unmet demand for primary school places, which will lead to an increasing shortage of secondary school places as children grow. Nationally, an additional 1 million school places are needed by 2023 (source: Department for Education), with London alone requiring 133,000 new places by 2018. The need to build or extend schools has led to a substantial pipeline of work for our Construction division.

There is also an acute shortage of social housing stock in the UK, as a consequence of 'Right to Buy' sales to former social housing tenants and the failure of new build housing to keep up with demand. This has led to an increasing age profile in the existing social housing stock, increasing the need for refurbishment, repair and maintenance. This in turn creates growing demand for our services.

Business model

We are built to create sustainable value.

What we do
Lakehouse constructs, improves, maintains and provides services to homes, schools, public and commercial buildings. In doing so, we create safe, high-quality environments, which improve the quality of life of the people who live in or use them. This in turn generates value for our shareholders and our other stakeholders.

How we create value
We start by prioritising our opportunities, based on their risk, returns and strategic fit. Our strong customer relationships and market intelligence are critical, enabling us to identify opportunities ahead of time, prepare for bidding and allocate the resources we will need in order to win. These relationships also enable us to understand our customers' challenges and requirements, which is crucial to a successful tender.

We benefit from being able to offer a wide range of services and geographic spread. This presents more opportunities to us, so we can be selective about what we bid for and only pursue tenders where we believe we have a better chance of winning and of delivering the work successfully.

We believe our centrally managed but locally based commercial team is a major advantage over our competitors. The team screens opportunities and provides specialised bid writing and estimating support to our businesses, so they can prepare compelling tenders.

Our clients and their customers are at the heart of everything we do. Our values – passion, care, keeping promises and responsibility – ensure we work in the right way and focus on delivery. In-depth knowledge of our customers' challenges helps us to anticipate and respond to their requirements, improve our services and increase our chances of securing contract renewals and extensions.

By focusing on risks and winning contracts with appropriate returns, we aim to deliver our business profitably. Growth also enables us to leverage our central overheads, contributing to rising margins. We look to continually improve both our service and our efficiency through initiatives such as our 'Customer Journey' and by investing in our systems, training, development and safety. We rely on our supply chain to deliver a number of our services and for high-quality materials. We build long term relationships with them, so they deliver consistently and benefit from our growth.

This approach means that many clients view us as their provider of choice. We achieve high customer satisfaction levels, which reinforces our reputation and brand, and helps us to win work with new and existing clients. Our breadth of services strengthens our position, allowing us to cross-sell and meet a growing number of our customers' challenges. This is attractive to them, as they increase efficiency by rationalising their supply chains and rely on fewer providers for more services.

To enhance our value creation, we acquire businesses that reinforce our ability to grow organically, by expanding our service offering, our customer base or our geographical footprint, while increasing the proportion of business we self-deliver.

The outcomes we aim to generate:
For our customers – high-quality service, delivered with greater efficiency, which enables them to meet their legal, regulatory and environmental obligations.

For our clients' customers – safe and well-maintained homes and buildings, which improve their quality of life.

For our people – interesting and challenging careers, in a growing business that offers them the chance to develop and reach their potential.

For our suppliers – the potential to grow their business, by developing a strong relationship with an expanding Group.

For our communities – increased employment and skills and improved community infrastructure.

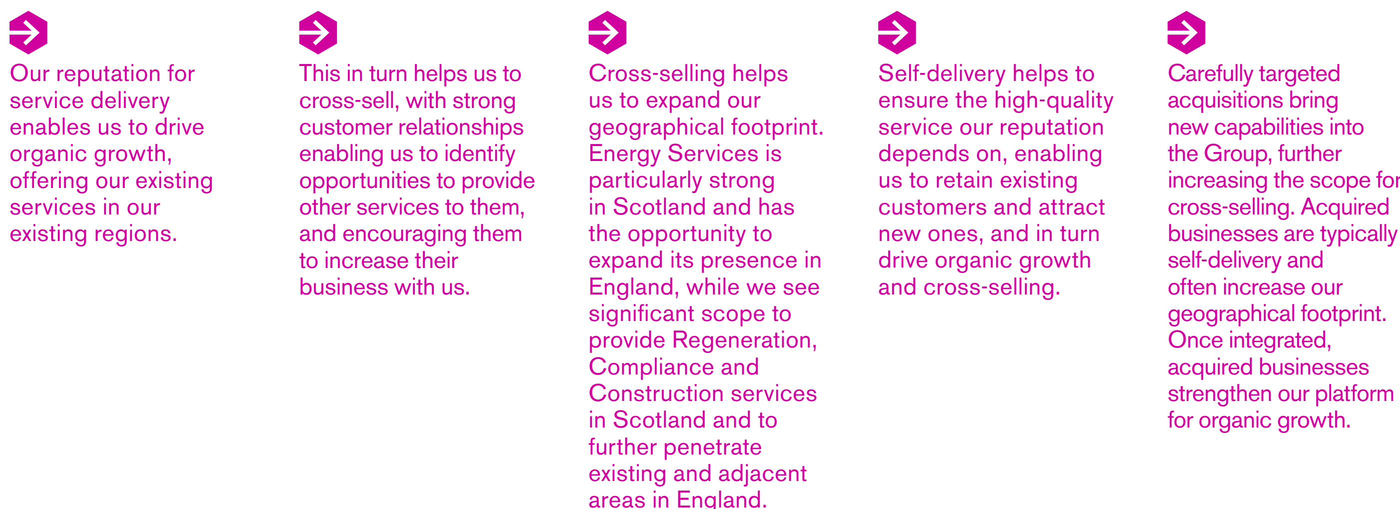
For our shareholders – growing revenue and profits, enabling us to pay a progressive dividend while retaining funds to invest for future growth.

Our strategy

We follow a successful five-part strategy, which enables us to drive growth, increase margins and buy businesses that enhance our organic growth platform.

Description	Progress in the year	Objective for 2015/2016
1. Driving organic growth By maintaining high levels of customer service, we can grow our revenue on each framework, retain our position on renewal, and win new contracts and frameworks with new customers. Operating sustainably is key, allowing us to protect our people's safety, attract and retain talent, build community relationships and improve environmental performance.	– Total contract wins in the year of £638m – Organic revenue growth of 2.5% – Increased the number of frameworks we are on, from 99 to 181 – Increased our order book to £595m – Achieved average customer satisfaction ratings of 93% – Implemented our Customer Journey across more than 80% of live sites. Live sites are those where actual contracted work has commenced (this does not include sites that are at set up stage) – Retained 87.7% of the management team – Everwarm achieved UKAS accreditations for 18001, 14001 and 9001 in line with our strategy. Allied Protection and K&T Heating achieved UKAS accreditations for 18001 and 14001 in line with our strategy. These standards have been integrated with the Lakehouse standards and are supported by our audit regime – Completed a successful Stage 1 50001 external energy management audit for the Group, in order to comply with the Energy Savings Opportunity Scheme (ESOS)	– Continue to target new long term contracts and positions on key frameworks – Achieve customer satisfaction ratings of at least 90% – Continue behavioural based Customer Journey improvement plans for all areas of the business – Retain at least 85% of our management team – Further improve health and safety performance by implementing our behavioural based audit and support model across the Group, supported by our Learning Management System – Continue to reduce energy consumption through our carbon reduction action plan
2. Increasing cross-selling By understanding customers' needs and identifying appropriate opportunities, we aim to cross-sell services from across our divisions.	– Secured work for our Compliance (Gas) division by introduction to Nottinghill Housing. Also secured work for Regeneration (South) in the same way, an existing Compliance (Fire and Electric) client – Secured work for our Regeneration (South) division and Energy Services division through initial introduction of Brent Housing Partnership by our Construction division – Secured work for our Regeneration (South) and Compliance (Fire and Electric) divisions through initial introduction of Peabody by Compliance (Gas)	– Continue dialogue with new and existing customers, to ensure they understand the full range of our service offering – Join-up divisional cross-selling efforts, by ensuring business development teams share intelligence on customers and opportunities
3. Expanding our geographical footprint By carefully selecting organic growth opportunities, we aim to grow our presence in adjacent regions and to increase our penetration of existing regions.	– Continued to expand in our established regions, winning contracts with new and existing clients – Significantly expanded the scale of our operations in Scotland, by winning the HEEPS contract with the Scottish Government, as well as establishing Regeneration (North) – Continued to expand our Regeneration business in the Midlands, being appointed to the Efficiency East Midlands framework and winning an important contract with Metropolitan Housing	– Continue to penetrate existing regions – Achieve further contract wins in the Midlands – Deepen business in new regions such as the North of England through cross-selling

Description	Progress in the year	Objective for 2015/2016
4. Increasing self-delivery By increasingly delivering our services through our own employees or self-employed contractors, rather than third-party subcontractors, we aim to enhance our margins, brand awareness and service quality.	– Acquired four businesses (see below) during the year, all of which follow the self-delivery model	– Introduce self-delivery model in Regeneration (South)
5. Making complementary acquisitions By acquiring businesses that complement our existing operations, we increase the breadth of our service offering, which creates more scope for cross-selling, and expands the geographical reach of our business.	During the year, we acquired: – H2O Nationwide, a national air and water compliance business – Providor, a nationwide smart metering specialist – Orchard Energy, a UK energy procurement and advisory services provider – Sure Maintenance, a gas compliance business for customers in the North of England and the Midlands	– Continue to review potential targets, which can reinforce our organic growth platform and increase self-delivery – In November 2015 we acquired Aaron Services, a heating services provider – In December 2015 we acquired Precision Lifts, a lift installation and maintenance company



Our reputation for service delivery enables us to drive organic growth, offering our existing services in our existing regions.

This in turn helps us to cross-sell, with strong customer relationships enabling us to identify opportunities to provide other services to them, and encouraging them to increase their business with us.

Cross-selling helps us to expand our geographical footprint. Energy Services is particularly strong in Scotland and has the opportunity to expand its presence in England, while we see significant scope to provide Regeneration, Compliance and Construction services in Scotland and to further penetrate existing and adjacent areas in England.

Self-delivery helps to ensure the high-quality service our reputation depends on, enabling us to retain existing customers and attract new ones, and in turn drive organic growth and cross-selling.

Carefully targeted acquisitions bring new capabilities into the Group, further increasing the scope for cross-selling. Acquired businesses are typically self-delivery and often increase our geographical footprint. Once integrated, acquired businesses strengthen our platform for organic growth.

Key performance indicators

We use the following key performance indicators to monitor our success with our strategy.

Financial indicators	Relevance to strategy	Performance
Revenue We operate primarily under service and construction contracts, recognising revenue when we can reliably estimate a contract's outcome and by reference to the stage of completion of the work.	The level of revenue demonstrates our ability to grow the Group, both through organic growth and through our carefully targeted acquisitions.	We increased underlying revenue by 11.3% to £336.6m (2014: £302.5m), with organic revenue up 2.5%. **11.3%** underlying revenue increase
Underlying EBITA EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is stated before contract losses on businesses being exited and exceptional items.	The increase in underlying EBITA demonstrates our ability to grow our profitability and to expand our margins.	Underlying EBITA grew by 105.6% to £22.2m, reflecting our organic growth and the impact of acquisitions. The underlying EBITA margin increased to 6.6% (2014: 3.6%). **105.6%** underlying EBITA increase
Order book The order book is our contracted revenues, together with prospective revenues from the frameworks we are on, where our experience of customers deploying their confirmed budgets means our revenue from the framework is predictable.	The order book measures our success at securing the long term contracts and frameworks we bid for and make our future revenue more predictable.	The order book increased from £503m at the start of the year to £595m at 30 September 2015. **£595m** order book at 30 September 2015
Underlying operating cash conversion Underlying operating cash conversion is operating cash flow, plus the cash impact of exceptional and other items (discussed further in Note 7), as a percentage of underlying EBITA.	A high level of underlying operating cash conversion demonstrates the quality of the profits we earn, as well as our ability to generate funds for reinvesting in our growth and paying dividends to shareholders.	Underlying operating cash conversion in the year was strong, at 115% (2014: 143%). We continue to target average cash conversion of 80% over the long term. **115%** underlying operating cash conversion

Note:
Newly acquired businesses are integrated into the KPI reporting process over a period of time reflective of the underlying systems and processes in place at the point of acquisition for capturing the necessary data.

Non-financial indicators	Relevance to strategy	Performance
Accident Incident Rate (AIR) The AIR is the total number of specified injuries, seven day reportable injuries and reportable cases of ill health, multiplied by 100,000 and divided by the average number of employees, including subcontractors, within the Group.	Working in a safe environment allows our people to focus on delivering great service to our customers. Protecting our people also supports employee engagement and retention.	The AIR was 98.62, compared with 85.59 in 2013/14 and remains substantially below our target of 151. **98.62** Accident Incident Rate (AIR)
Management retention rate The management retention rate provides a measure for us to assess our ability to retain employees who occupy a 'leadership role'. This is represented by a simple statistic – for example, a retention rate of 80% would indicate that we retained 80% of our leadership team in a given period (1 October 2014 – 30 September 2015). This is based on weighted average. Employee data from acquisitions is included as they become part of the Lakehouse Group.	Our ability to deliver great service and to grow our business ultimately depends on retaining our key people.	The management retention rate for the year was 87.7% which is ahead of our target of 85%. We did not have robust methods of measurement in 2014 so no comparative is provided. This KPI was established in February 2015. **87.7%** management retention rate
Customer satisfaction This is our measure of how our services meet or surpass customers' expectations. All customers are encouraged to complete a satisfaction form when work is completed. Approximately 84% are completed and returned. We collate responses from these and present them in a Customer Satisfaction Tracker for each project, where an overall average satisfaction score is calculated.	Satisfied customers are the key to our business. High levels of customer satisfaction help us to retain contracts and to win work with both new and existing customers.	Customer satisfaction levels remained strong across the Group, with an average of 93% (2014: 92%). We are ahead of our target to achieve customer satisfaction above 90%. **93%** customer satisfaction
Carbon usage We calculate our carbon footprint by adding energy use across the Group with the fleet (both business and privately-owned).	Our customers, particularly in the public sector, want to engage responsible suppliers. Managing our environmental impact is therefore important for our ability to win work, as well as being socially responsible and more cost efficient for us.	Our carbon usage was 5,349.8 tonnes of CO_2e. This is equivalent to 16 tonnes per £million of revenue. We did not have robust data collection processes for 2014; formal monitoring commenced in September 2014 so no comparative was provided. We are aiming to decrease our overall carbon emissions relative to revenue by 2% per annum. The carbon footprint is developed from Scope 1 4,862.5 tonnes and Scope 2 487.3 tonnes emissions as defined in the Greenhouse Gas Protocol. This covers the direct emissions produced as a result of our works – namely the fleet, as well as those emissions associated with consumed electricity and gas. The scope of the carbon footprint covers those companies within the Lakehouse Group at the start of October 2014 and H2O from April 2015 and is derived from electricity and gas meter readings as well as data drawn down from fuel cards. **5,349.8 tonnes** carbon usage

Chief Executive Officer's Divisional review

I am pleased with the performance across the Group in our maiden year as a listed company. We reported underlying Group revenue growth of 11.3% to £336.6m with underlying profit before tax increasing significantly to £21.6m. We have continued to focus on the quality of business we win, prioritising earning good margins rather than revenue. The Group won a wide range of work in the period including a number of strategically important long term contracts. In addition, we have benefited from our focused approach to identifying the right contracts to target, high-quality bid compilation and a considered approach to pricing. This has increased our order book and, coupled with a strong sales pipeline, puts us in a strong position for growth in the future.

Our highly selective targeting of new opportunities has also contributed to the improved profit margins across each of our divisions. I am delighted with the rate and success of the integration of our newly acquired businesses and I am very positive about the cross-selling opportunities that our newly integrated businesses are already bringing to the Group.

Regeneration

Financial year ended 30 September 2015	**2015**	2014	Change
Revenue (£m)	**161.7**	172.6	(6.3)%
Underlying EBITA (£m)	**10.5**	9.3	13.4%
Underlying EBITA margin	**6.5%**	5.4%	110bps

Regeneration provides planned and responsive maintenance services for social housing clients, which are mainly local authorities and housing associations. The division operates through three businesses: Regeneration (South), Regeneration (East) and Regeneration (North).

The 6.3% reduction in revenues during the year reflected that our Hackney Homes contract came to maturity and the Eastern Procurement and London Borough of Camden frameworks were in the stages of re-procurement in the period. We are participating in the re-procurement of relevant lots for both Eastern Procurement and Camden in the current financial year; the outcome of both exercises will be determined by where we can make a satisfactory return.

Despite the reduced revenue, we improved our EBITA margins by selectively bidding and focusing on our framework opportunities with smaller, higher margin contracts. This focus reflects the changing social housing procurement backdrop, where some clients are moving away from high value bundled contracts to more product-targeted frameworks with multiple potential delivery partners. This has resulted in an increased level of bidding activity but plays to our strategy, as the breadth of services Lakehouse offers enables us to bid for these as specialists, giving us a competitive advantage over our larger peers, who cannot necessarily offer such services in-house. We only recognise the value of confirmed orders and budgets in our order book, so one consequence of this trend is that we are likely to see an increased difference between the value of our confirmed order book and the overall value of framework contracts, based on our estimated share of the available budget.

During the year the division continued to win new business, increasing its participation in framework contracts from 33 at the end of September 2014 to 53. Importantly, these frameworks have a combined value of £539m and an average duration of four years. Notable wins included the two year London & Quadrant Housing Trust Decent Homes framework, a Stevenage Borough Council two year roofing upgrade programme, a four year external decorations programme for Family Mosaic and a four year major housing works framework for Enfield Homes. Regeneration (South) secured a place on the Southwark four year framework; secured and delivered projects for Guinness (Mansell Street externals and a further kitchen and bathroom scheme); kitchen and bathroom upgrade works for London Borough of Harrow; and fire precaution upgrade works for Brent Housing Partnership. In addition, as reserve contractor, we have been called on to help clients when their incumbent partners have fallen short in terms of service. We also re-secured the Eastern Procurement Heating framework following our strong performance and high levels of customer satisfaction on the previous framework.

We invested in our continued organic growth in two key areas: a responsive maintenance operation in Regeneration (East) and in Regeneration (North) in Scotland.

Regeneration (East) mobilised the five responsive maintenance contracts won in the first half of the year and we see this as a growth area, albeit we may look at targeted acquisitions to help us achieve critical mass. We are also looking to build the business in adjacent markets and saw early success at the end of the year with an important contract win with Nottingham-based Metropolitan Housing Trust to undertake kitchen and bathroom refurbishments over a two year period. We are also seeing some direct selection contracts coming from the Efficiency East Midlands framework we were recently appointed to (for planned maintenance services), alongside our Compliance division (for both gas and water and air hygiene).

Regeneration (North) is already winning work, including being appointed to frameworks for the City of Edinburgh and Argyll & Bute Council. City of Edinburgh has begun a substantial procurement programme and we will shortly be delivering our first newly secured contracts through this framework.

To further improve customer service and our efficiency, we have implemented our new maintenance operating system, Impact Response, for responsive maintenance services. This system tracks each responsive maintenance task order, from the moment we receive the call, all the way through to customer satisfaction surveys and invoicing. We have also invested significantly in a new customer contact centre in Regeneration (East). By supporting high-quality service, these initiatives will help us to win and retain contracts.

Self-delivery remains an important part of our strategy: for example, our roofing team is successfully delivering projects using this model. We intend to roll out this model more widely in the medium term which will help us improve customer satisfaction and contract profitability.

As discussed above, we are seeing a shift away from traditional bundled frameworks with guaranteed budget allocations to a small number of contractors, to frameworks with multiple contractors competing on mini tenders. Regeneration is seeing an increasing number of opportunities coming through as a result, where clients are seeking to broaden their base of service providers. We expect the current year to be one of consolidation, as some of our traditional bundled frameworks come to an end and we seek to develop positions on a wider number of new frameworks. We are confident that our reputation for customer service and operational delivery means we are well positioned to help these customers over the long term.

Compliance

Financial year ended 30 September 2015	2015	2014	Change
Revenue (£m)	**36.6**	32.2	13.9%
Underlying EBITA (£m)	**4.5**	2.5	77.0%
Underlying EBITA margin	**12.3%**	7.9%	440bps

Compliance comprises planned and responsive maintenance, installation and repair services to local authority and housing association clients in the areas of gas, fire and electrical, water and air hygiene and lifts. These services cover clients' social housing and public building assets. The acquisition of H2O Nationwide in October 2014 expanded our range of compliance services into air and water. In addition, we acquired Sure Maintenance in September 2015, extending the geographical footprint of the Group's gas offering. In November 2015, after the end of the financial year, we acquired Aaron Services, which gives us a broader geographic footprint, offering the same cross-selling openings as Sure and a particular opportunity to work with Regeneration (East), which operates in a similar territory. In December 2015, we announced the acquisition of Precision Lifts which brings lift installation and maintenance capabilities into the division. This enables us to provide an even more comprehensive compliance offering and opens up new opportunities.

Full year revenues increased by 13.9%, an improvement of £4.4m. This was aided by the acquisition of our water and air business, H2O Nationwide, on 3 October 2014 which provided a full year contribution. The acquisition of Sure Maintenance in September 2015, close to year end, provided a small contribution.

An improvement in business mix, particularly the contribution of higher margin water and air services, along with a number of high margin projects saw margins improve from 7.9% to 12.3%. The division also did not see the scale of new contract mobilisation experienced in the prior year and so saw a lower impact of mobilisation costs.

Notable wins included a seven year gas maintenance contract with Arun District Council, a three year mechanical and electrical contract with MHS Homes, and a four year electrical maintenance contract with Brighton & Hove City Council. Our projects with Peabody and A2 Dominion, which were the result of cross-selling initiatives, also performed well. We are continuing to strengthen our relationships with these customers. Further successes include fire maintenance and safety works for Kensington & Chelsea TMO and Wandle Housing Association, together with contracts for gas servicing and maintenance for A1 Housing, domestic boiler installations for London Borough of Islington, gas safety inspections for Lanarkshire Housing Association and a framework win for major works for London Borough of Southwark.

H2O Nationwide performed well in the year, delivering continued organic growth and re-securing a key contract with Unite Housing. It achieved its first cross-selling success, winning a contract to provide water treatment to Arun District Council, a gas compliance customer introduced by K&T Heating. The business also entered the social housing market when it was appointed to a framework for Efficiency East Midlands, working alongside Foster Property Maintenance and Sure Maintenance in this procurement network.

We believe that as a consequence of new contract wins and complementary acquisitions, we have achieved critical mass, both in terms of geographic coverage and scale of engineers we employ directly. Our Compliance division now offers a comprehensive range of services which we are developing into a single Lakehouse offering, with delivery supported by our Impact Response system and our Customer Journey initiative. We are now raising customer awareness of our offering and reviewing with them how we can meet all their compliance needs.

Acquisitions since 1 October 2014

H2O Nationwide
Water and air hygiene
Head office: Basildon
Year established: 1998
Date acquired: 6 October 2014
Employees: 40 (at time of acquisition)

H2ONationwide
Part of the Lakehouse Group

Sure Maintenance
Gas servicing and maintenance
Head office: Liverpool
Year established: 2001
Date acquired: 14 September 2015
Employees: 370 (at time of acquisition)

SureMaintenance
Part of the Lakehouse Group

Aaron Services
Gas servicing and maintenance
Head office: Ipswich
Year established: 1985
Date acquired: 2 November 2015
Employees: 390 (at time of acquisition)

AaronServices
Part of the Lakehouse Group

Precision Lifts
Lift installation and maintenance
Head office: Upminster
Year established: 1996
Date acquired: 9 December 2015
Employees: 69 (at time of acquisition)

PrecisionLifts
Part of the Lakehouse Group

Chief Executive Officer's Divisional review
continued

Energy Services

Financial year ended 30 September 2015	2015	2014	Change
Revenue (£m)	**68.1**	22.9	196.6%
Underlying EBITA (£m)	**9.6**	2.8	244.1%
Underlying EBITA margin	**14.1%**	12.1%	200bps

Energy Services provides a range of energy efficiency services for social housing and private homes. The division also uses these services to deliver carbon emissions savings for energy companies, enabling them to meet their legislative targets. In addition, the division offers renewable technologies, smart metering services and energy brokerage to customers throughout the UK.

Revenue grew to £68.1m from £22.9m year on year and this was primarily due to our first full year of ownership of Everwarm, which we bought in April 2014. Previously, we had only a sub-scale presence in the English market.

Improved labour utilisation afforded by a higher level of activity, together with a full year contribution from Everwarm and the Energy (South) business turning from loss to profit in the year, saw underlying EBITA margins rise from 12.1% to 14.1%. Providor and Orchard Energy made small contributions after integration costs and both have showed significant early opportunities.

In May 2015, the division expanded its nascent smart-meter installation business with the acquisition of Providor and in July 2015 acquired Orchard Energy, a leading UK energy procurement and advisory service provider. We have made further progress expanding Energy Services in England including being appointed to the RE:NEW framework in London. RE:NEW is the Mayor's programme to help make London's homes more energy efficient and has the capacity to deliver up to £1.6bn of energy upgrades. In addition, we secured a place on both the Fusion 21 and Eastern Procurement frameworks for energy services. We are also gaining traction with local authority and social housing customers who wish to explore our solutions and ability to obtain funding for them from the major energy companies. Key highlights this year included £14m of new wins in London and the South East, including notable contracts with the London Borough of Camden and a three year contract with the London Borough of Brent.

We have very strong relationships with five of the Big Six energy utility companies and the key independent energy utility companies, and continue to help them meet their environmental obligations. We have negotiated contract extensions into 2016 and developed relationships with several smaller independent utility companies, who will play a larger role in the coming years. We are already delivering contracts for energy saving measures and metering for these independent providers.

Providor is one of the UK's leading smart-metering specialists. It complements our existing energy services offering by giving us critical mass in the high growth smart-metering market, which forms part of the Government's £11bn scheme to upgrade the UK's energy infrastructure and improve competition by 2020. We are pleased with the growth in Providor's order book since acquisition, which includes a new 10 year contract with Ovo Energy.

Orchard Energy is a leading UK energy procurement and advisory service provider which works with corporate clients to manage their energy costs, particularly energy supply and usage. In addition, it provides energy management services to commercial and industrial customers including brokering supply with utilities firms, managing contracts and advising on energy consumption. The acquisition enhances our offering to social housing clients who are keen to address fuel poverty. We are now introducing Orchard Energy to our Regeneration customers who wish to explore how they and their residents can benefit from cheaper energy.

The Group holds a one-third share in the Warmworks joint venture along with Changeworks and the Energy Saving Trust. During the year, Warmworks was awarded a national fuel poverty scheme funded by the Scottish Government and worth up to £224m in total over a period of up to seven years. A proportion of this sum is being deployed directly on energy saving measures delivered by Everwarm. The contract started in September 2015, on target with the expectations set out by Scottish Government and initial volumes have been in line with expectations.

The division has made good progress this year despite the energy sector experiencing some well publicised challenges in the period, particularly around UK Government policy towards energy efficiency and the funding policies that underpin the sector. As we moved into the final phase of current policy and the obligations placed on utility companies relaxed, we saw pressure on carbon prices impacting in the final quarter of the year, which had a consequential effect on margins. We expect 2016 to be a transition year from the existing energy company obligation to the new policy, which starts in April 2017.

While acknowledging the challenges arising from this evolving market, we believe that the market drivers remain: to improve energy efficiency across the UK housing stock and address fuel poverty. To deliver such a wide and complex challenge will require organisations with the necessary expertise and bandwidth. We have strengthened our Energy Services offering accordingly by acquiring complementary businesses and extending our capabilities – we remain well positioned to deliver on our strategy.

Acquisitions since 1 October 2014

Providor
Smart metering
Head office: Newmarket
Year established: 1998
Date acquired: 6 May 2015
Employees: 130 (at time of acquisition)

Providor
Part of the Lakehouse Group

Orchard Energy
Energy procurement/advisory
Head office: Elland, West Yorkshire
Year established: 2004
Date acquired: 13 July 2015
Employees: 78 (at time of acquisition)

OrchardEnergy
Part of the Lakehouse Group

Construction

Financial year ended 30 September 2015	2015	2014	Change
Underlying Revenue (£m)	**73.4**	78.5	(6.5)%
Underlying EBITA (£m)	**4.8**	2.5	90.5%
Underlying EBITA margin	**6.6%**	3.2%	340bps

The Construction division offers refurbishment and small to medium-sized public building works, predominantly for local authority clients. The division focuses primarily on clients in the education sector, although it also delivers works to a range of other public buildings.

Full year underlying revenues declined overall, reflecting the exit last year from our social housing development activities, further details of which are outlined in Notes 4 and 7. Our core education business grew by 12%, as we saw the benefit of higher value work secured on our frameworks in London.

The improvement in underlying margins reflected our focus on small to medium-sized education projects, where we can effectively balance risk and return, along with the exit from our social housing development business (which generated a loss of £1.2m in the underlying results for 2014).

During the year, we were reappointed to the Hampshire County Council framework and secured a place on the Local Government Shared Services (LGSS) framework with Northamptonshire and Cambridgeshire County Councils. We were also appointed to the Kent County Council Principal Contractors framework, the Gloucester County Council Major Construction Contract and the South Hunsley National framework for small to medium works.

We were pleased to secure the first two projects under the LGSS framework at Silverstone School and Radstone Fields School. We also saw the strengthening of relationships with London Borough of Richmond upon Thames, after winning the Russell and Strathmore School expansion project. We secured new schemes with Bromley Council at Midfield, Glebe and Edgebury Schools, two of which are under the Lewisham Pupil Places framework. There remains a large pipeline of opportunities for the division.

Utilising the East London Solutions framework, we won contracts with Newham Council at Salisbury, West Ham Church and Ranalagh schools. We also successfully delivered the first London Construction Programme project at Bounds Green School. In addition, we secured our first projects for City of Westminster College (Maida Vale Campus) and Ellen Wilkinson School in Ealing.

A key driver for the division is the continued shortage of primary school places, which requires investment in new school buildings to meet demand. The scale of this demand means we are able to remain selective about the new opportunities we pursue. High customer satisfaction also leads to good levels of repeat business and we continue to secure new framework wins.

Order book

Our bidding and estimating teams have continued to perform well, with new contract wins totalling £638m secured in the period. The focus on long term contractual relationships has led to all four divisions increasing the number of frameworks they are appointed to, which has in turn contributed to growth in our order book to £595m, an increase of £92m since December 2014.

Our sales pipeline remains robust at £2.8bn of identified Pre Qualification Questionnaire ('PQQ') and tender opportunities. The fragmented nature of our markets, combined with our still relatively small market share, underlines the scale of opportunity available to each of our divisions.

In addition, a key driver for organic growth is our ability to cross-sell our services across the Group's clients and we have identified a number from each division where we are introducing other services alongside those we are already successfully providing.

Principal risks and uncertainties

A key focus of our strategy is to reduce risk and build a sustainable and profitable business.

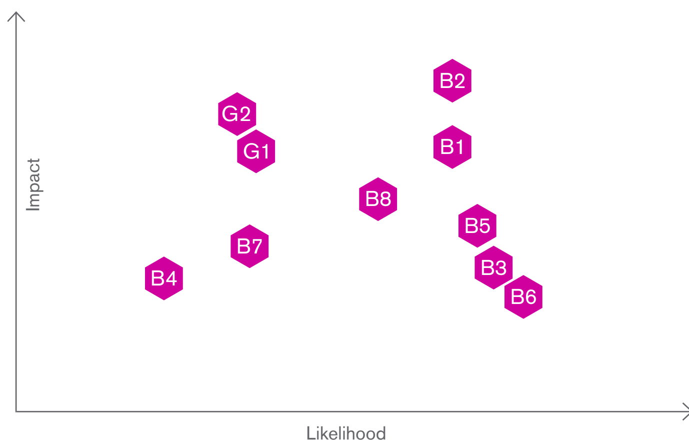
A key focus of our strategy is to reduce risk and build a sustainable and profitable business, with predictable revenues and increasing margins.

We therefore have a detailed and comprehensive risk management process, covering all aspects of business and operational risk. We constantly review our control and monitoring processes and our systems, and work closely with our customers, to understand how our marketplace is changing and how it's likely to change in the future.

The table opposite details the main risks we currently face, their potential impact on our business and how we mitigate them. The heat map sets out each risk's potential impact on our business prior to mitigation, its likelihood of occurring and the change in these factors during the year.

More information about how we manage risk can be found in the Corporate Governance Report on page 55.

Key risks heat map



B1 Changes to Government policy	B6 People
B2 Changing trends in client procurement	B7 Acquisition selection and integration
B3 Tendering new work	B8 Major health and safety incident
B4 Revenue recognition	G1 Financial liquidity
B5 Poor operational delivery	G2 ICT failure

Notes:
B prefix indicates business specific risk
G prefix indicates general risk affecting a diversified Group

Risk

B1 Changes to Government policy
The public sector and regulated industries provide some 95% of our revenue, so our business is heavily dependant on UK, Scottish and local government policy. Energy Services in particular may be susceptible to changes in policy.

B2 Changing trends in client procurement
Revenue in parts of our business may be impacted by clients changing their procurement approach with a growing trend towards tendering for frameworks with multiple participants. Works are then secured either by rotation or further mini competition.

B3 Tendering for new work
We compete for work by tendering or negotiating directly with our customers. Our reputation, experience, accreditations, pricing and relationships all affect our ability to win work. We compete with local and international companies, some of which may have greater resources and capabilities.

B4 Revenue recognition
In our industry, the valuation and recognition of revenue requires significant judgement by management. Our Construction division operates under long term fixed price contracts and our Regeneration division recognises revenue based on a valuation of the work in progress, with reference to a contracted schedule of rates. The valuation of revenue includes the determination of estimated costs to complete, amount of margin to be recognised and percentage of completion of work in progress.

B5 Poor operational delivery
Poor operational delivery could lead to a local loss in trust and reputation with a client or customer with a recoverable position. However, a material loss of service or event could result in the loss of a framework.

Explanation of risk	Mitigation
Significant changes to policy in these areas could have a detrimental impact on the Company's strength and overall financial performance. Recent changes in the energy sector could have an impact on revenue and profit for the Energy Services business.	We have increased our business diversity and have four divisions with differing political dynamics. We also aim to continue increasing the proportion of our business derived from long term relationships, contracts and frameworks, rather than shorter term and less predictable construction projects. In particular, for Energy Services, we are limiting the risk by expanding our services beyond our core insulation and heating business.
This could result in fewer opportunities, weaker cash flows, lower margins, uncertainty in financial forecasting in parts of the business and additional resource in securing works on frameworks.	We have a diverse service offering, with a flexible approach to procurement and competition, thereby focusing on areas where we can win at an acceptable margin. Our bid teams carefully assess the requirements of all frameworks; using a commercial risk-based approach, we assess potential competition and monitor contract awards so we have a detailed understanding of the potential of a framework. We develop a track record based on proven delivery, in order to maximise the opportunities available under frameworks. The increased breadth of our business brought by new acquisitions is giving us access to a wider range of clients across a broader geographic base, thereby giving us a larger pool of work to target.
If we do not compete effectively we may not win enough work or retain existing contracts, affecting our revenues, profits and cash.	We focus on developing strong customer relationships and having robust market intelligence. This enables us to understand customer needs and to bid effectively. We also have an experienced internal bidding function, so we can submit the best possible bids and maximise our chance of success. We are strategic in our approach to bidding, working well ahead of client procurement programmes. We have routine and regular bid meetings across the business which allow us to select target opportunities, ensuring focus and resource is directed to targeted tenders.
We have multiple contracts that are the subject of such judgement and an error could lead to a material misstatement of both revenue and profit.	Each contract is staffed by a proven team of operators, partnered by experienced quantity surveyors who follow a set of clear and specific guidelines on contract valuations. Monthly valuations meetings are held between quantity surveyors and divisional Directors to update on project progress and assess the reasonableness of estimates made, an assessment of risk and, accordingly, a determination of cost to complete and margin based on percentage of completion to date. The process is overseen by Finance, whose task is to ensure risks are suitably factored into the valuation process. A monthly divisional operating board meeting is held between the Chief Executive Officer, Chief Financial Officer and divisional Directors to review performance in the month and a detailed report by contract reviewed for performance, risk and reasonableness.
Poor operational performance leads to reputational loss and weaker financial performance.	We mitigate this risk by having qualified, trained people, managers and operatives who are experienced in their roles. We closely monitor quality, progress and service using industry standard products and are generating divisional KPIs to benchmark similar services. We have accredited processes and systems which are audited both internally and externally and reported to the accountable management teams. We have a robust approach to risk management from project level to Board, providing support and scrutiny to mitigate the risk. We have regular project audits and support visits by trained staff. Where we use supply chain partners we work with the teams, monitoring performance ensuring rapid resolution of issues as they arise.

Principal risks and uncertainties
continued

Risk	Explanation of risk
B6 People The success of our business depends on recruiting, retaining, motivating and developing the right people at all levels of our organisation.	If we do not have enough suitably skilled, experienced and engaged people we may not be able to deliver the service quality we have promised to our clients and customers or grow our business as quickly as we had planned.
B7 Acquisition selection and integration Growth through acquisition in order to gain critical mass is an important part of our strategy. We need to ensure that the acquisition selection process satisfies the needs of the business and that the companies selected fit the desired criteria.	The consequence of a poor selection process could create friction within the management structure, poor integration and ultimately an acquired business which does not fit nor deliver on its anticipated potential for the Company and the Group, leading to a financial short fall.
B8 Major health and safety incident We provide our services in a range of potentially high risk environments: working in homes, public buildings, at height, with water, electrical and gas services and lone operatives in vans.	There is potential for a major health and safety incident within the environment in which we work which could have significant impact on a person or people either directly, indirectly or not involved with the works we are undertaking. We could incur reputational loss or civil and criminal costs due to a health and safety incident.
G1 Financial liquidity We rely on the continued support of our banking partners to ensure we have the necessary funds to trade on a day to day basis and pursue the Group's growth strategy. We have periods in the year where there is a peak in working capital needs, predominantly around the timing of work instructed by our clients, which require short term funding.	Were we to lose funding support, we could face short term cash shortfalls and limit our ability to grow and develop the Group or settle our liabilities as they fell due.
G2 ICT failure Our business is 24/7 and relies on a robust ICT infrastructure and service.	An ICT failure could cause business interruption or loss of services which could impact local delivery, reputation and ultimately have financial consequences.

Mitigation

We invest significant effort in developing our managers and training our employees. We work hard to make Lakehouse a Group people want to be part of, with a positive culture and opportunity to develop and learn. Our 'Leadership at Lakehouse' management course has been developed to nurture managerial talent and is now in its third year. We have an Employee Representative Council with members elected from all parts of the Group, ensuring that all of our people have a voice. We are constantly assessing our training needs, listening to staff and developing innovative solutions such as our in-house online training products. We actively seek out rising stars in the business and recognise and celebrate achievement.

We spend a great deal of time identifying potential acquisitions, which must satisfy an unfilled need in our business strategy that could not be addressed organically. Negotiations are almost always conducted on a bilateral basis and include a significant 'courtship' process to ensure we feel comfortable with one another. We have a track record of successful acquisitions and are building on that invaluable experience. We also have a dedicated and experienced Director responsible for integration of the new acquisitions. We use a detailed plan based on agreed priorities with key milestones so we can integrate in a controlled and managed way.

Health and safety is managed throughout our business. We have a dedicated health and safety team who have an open remit to attend any site, any time and offer support or audit. We have a robust UKAS accredited Health and Safety Management system which is administered by an independent centralised team. We have mandatory training standards driven by job roles with a centralised training team who monitor and maintain training standards. We have a health and safety culture which is owned by the Managing Directors of the divisions. The strategy is set at the annual Safety Core Group which is attended by all Managing Directors and our CEO.

We maintain excellent relationships with our bankers, maintaining regular dialogue on matters pertaining to trading and risk in the Group. We maintain a strict internal review process on covenant compliance to ensure we remain in line with the requirements of our banking documents. In the year, we put in place a new revolving credit facility for £30m, replacing our former amortising term loan. Following year end, we increased the revolving credit facility for £45m, to ensure we have sufficient funds to pursue our long term growth aims.

We maintain a Group ICT strategy which is designed to support the existing business needs and provide an ICT infrastructure which is fit for purpose. We invest in resource and technology to ensure that the business is protected, such as back-up and disaster recovery processes to ensure minimum disruption. We have business continuity processes for a range of events and audit these processes.

Resources, relationships and sustainability

Lakehouse has a responsible business strategy, which covers how we invest in our people, support local economies through our customer and supplier relationships, develop our communities and champion environmental sustainability. This reflects our belief that fully investing in a responsible business model and targeting economic, social and environmental change helps to differentiate us in increasingly competitive markets.

Workplace

Health and safety

Protecting the health and safety of our people is a priority. We have a training programme called the Lakehouse Health and Safety Legacy, which we believe exceeds standards common to the industry and is essential for all employees. We also make this training available to some of our contractors and their employees, at a subsidised rate.

In 2015, we formed a Group Safety, Health and Environment (SHE) network, to share best practice and introduce improvements and risk reduction plans across the business. This powerful network is already making a difference at the frontline. It has improved compliance with our training requirements and is bringing a consistent Group-wide approach to audit.

Our health and safety champions coordinate employee consultations and communication across the Group. They use forums such as our intranet 'Lakehouse World' and our SHE network to discuss safety strategy, review health and safety projects and reflect on industry and regulatory changes. Our champions have been instrumental in raising the profile of health and safety and making sure it is built into everything we do.

We report our health and safety performance to the Board each month. In 2014/15, our AIR was 98.62 which was substantially below our target of 151.

Recruitment and retention

The recovering labour market, particularly in London and the South East, makes recruitment and retention an important area for us. We are addressing this in a number of ways, including a graduate recruitment programme which targets people who can grow with us. We have also put career structures in place and identified successors for key roles, so people can see how they can develop within the Group.

During the year, we introduced flexible benefits, which allow our people to shape their rewards to their personal needs. We monitor our performance through our management retention rate. This was 87.7% for the year, against a target of 85%.

The shift to a self-delivery model is changing the shape of our employee base, as we employ more people who deliver frontline services. This requires us to review our approach to motivation and retention and tailor training and rewards to meet the needs of all our people.

Our culture

We want to be a business with 'head' and 'heart' in equal measure. Head means we are commercially successful and astute, and that we deliver our commitments. Heart means that we invest in our people and treat everyone decently.

We have four values – passion, care, keeping promises and responsibility – which are integral to our culture. We use these values in our inductions, to illustrate how we work, and in our performance reviews, which assess both what our people have achieved and how they did it.

Training and development

Our investment in training and development incorporates all types of professional skills. We actively encourage our employees to propose their own ideas for personal development.

Leadership training for the next generation of Lakehouse Leaders is a continuous process, built around our Company values and the 'Lakehouse Way'. This training is a key focus, to ensure we have the pipeline of talent to continue to grow our business.

We invest in people at all levels, ranging from apprenticeship programmes and non-vocational qualifications through to supporting employees studying for degrees. This reflects our belief that developing our people benefits both them and our business.

Diversity

We value diversity and recognise the benefits that people of different genders and backgrounds can bring. Our approach is to ensure that all our people have equal opportunities to advance their careers within the Group.

The table below analyses our employees by gender:

	At 30 Sep 2015		At 30 Sep 2014	
	Male	Female	Male	Female
Board	6	1	n/a	n/a
Leadership team	95	30	85	21
Other employees	1,355	422	853	267
Total	1,456	453	938	288

Employee representation

Lakehouse has an Employee Representative Council (ERC), made up of elected employees from across the Group. Its main aims are to encourage employee engagement and involvement, gather views and comments so that employees have a say on Company policies, provide feedback on the services we provide and give employees the opportunity to influence the future direction of Lakehouse. The ERC has taken part in a wide range of initiatives during the last 12 months, including consultations on new policies and the launch of our Flexible Benefits Scheme which has been introduced to reward and engage our growing workforce. The ERC has been instrumental in ensuring that our benefits programme is right for our employees.

Human rights

Although we do not believe human rights are a significant issue for our business, we are committed to protecting the rights of our people and those who come into contact with our business. To support this commitment, we have policies covering key areas such as grievances, harassment and bullying at work, equal opportunities and dignity, professional conduct and behaviour, anti-corruption and whistleblowing.

Marketplace

We believe that strong relationships with our customers, suppliers and subcontractors are vital for creating a long term, sustainable business, which also supports our local economies. A key part of this is understanding our customers' and suppliers' priorities and areas of focus. We therefore work hard to ensure that our relationships are transparent and beneficial for everyone. We do this by mapping the different types of communication and interaction involved in our service, so we can establish new and better ways to deliver and make a bigger impact on people's lives.

The Lakehouse Employee Representative Council is an elected body of staff from across the Group. They have participated in a wide array of projects over the past 12 months including consultation on new policies which have since been introduced and the launch of the Flexible Benefits Scheme.

Customers

We monitor customer satisfaction for each of our businesses every month and report the results to the Board. This ensures we are consistently delivering the standard of service our customers demand and identifies where there may be issues to address. Our target is customer satisfaction above 90% and we achieved an average rate of 93% for the year.

We also track our success with pre-qualifications and tenders by business. This shows the quality of our tenders and our understanding of our customers' needs.

During the year, we continued to roll out our award-winning 'Customer Journey' initiative which focuses on improving behaviours across all our interactions with our customers. We use behavioural management training techniques in customer service, which has had a significant impact on our customers and has the potential to separate us from our competitors. We also manage all customer-related complaints and queries through the dedicated customer services team, ensuring we resolve them promptly.

Supply chain

Our supply chain is crucial to our business. Construction and Regeneration (South) both deliver services through subcontractors and we also rely on our suppliers for high-quality materials, so we can meet our commitments to our customers.

Our Procurement team helps us to purchase efficiently and cost effectively. It works across the Group to reduce cost and to improve service and supply chain management. All of our companies are now included in Group-wide procurement activities and we are negotiating further purchasing agreements as part of our procurement strategy. The team's work with our supply chain to reduce waste and enhance relationships was recognised by its nomination for an award from the Chartered Institute of Procurement and Supply.

Increased activity in the construction sector has contributed to a shortage of materials and subcontractors in the South East. We have mitigated a number of problems by working more closely with our project teams, manufacturers and merchants, to improve lead times and give more details of our future requirements.

Resources, relationships and sustainability
continued

We also use our purchasing decisions to have a positive influence and to help small and local businesses to grow. This includes fair payment terms, free or subsidised training, ensuring our procurement process is locally accessible and encouraging innovation in our supply chain. In addition, we consider social, environmental and economic challenges when deciding what and where to buy.

Brands

Lakehouse has a well-respected and long-established brand, based on our reputation for service. The companies we acquire also typically have strong brands in their markets. To maximise the value we gain from these brands, we generally retain the acquired company's name but reinforce the Lakehouse brand by badging as part of the Lakehouse Group.

Community

We are dedicated to creating desirable, successful and cohesive communities. This means playing our part in making them sustainable places to live and work. Our work in the community falls into the following areas:

Education and young people: we offer mentoring programmes and education partnerships, working strategically with local schools to provide support and increase young people's educational aspirations and skills.

Employment and skills: we provide apprenticeships, employment and skills development for residents in our communities.

Social impact and community infrastructure: we champion and support resident and community-led initiatives that tackle key social issues, such as crime, anti-social behaviour, digital and financial inclusion, and health and wellbeing.

Being deeply involved in our communities has always been fundamental to how we operate. Some of our local authority customers require us to deliver social value through our contracts with them – such as committing to job creation or apprenticeships. We take the same approach in every area we work in. Our Corporate Responsibility Manager, aided by our network of community development champions around the business, helps us to put our communities at the centre of all we do. Our champions coordinate connections between our communities and our operational teams, who deliver our day to day services. This creates local accountability for delivering social value through our projects.

In addition, we encourage all our employees to donate their time and expertise during work hours, to tackle local social issues. We aim to ensure that all volunteering is focused on our key community development themes.

Environment

A key part of our business strategy is to consider, manage and measure the way our work streams can affect the natural environment. We therefore monitor potential environmental impacts, promote environmental awareness to employees and reduce risks where possible. We measure environmental risks and opportunities across the Group, backed up by training, awareness and support. We aim to identify any potential risks as a preventative measure and to control our impact on the environments in which we work.

Health and safety is a priority and we believe our training programme, the Lakehouse Legacy, exceeds industry standards. We share best practice, drive improvement and strive to reduce risk through our dedicated Group network and we're already seeing a difference at the frontline.

We're focusing on recruitment and retention by having launched a graduate recruitment programme which targets people who can grow with us and develop their careers at Lakehouse. We've also put career structures in place, identified successors for key roles and introduced flexible benefits.

Our key environmental areas of focus are energy efficiency, carbon management and waste diversion. We monitor all of these aspects, analyse the results and set targets to ensure continual improvement. Supporting this is our environmental management system, which we communicate to all employees.

Group energy consumption

We monitor energy use at all levels across the Group. Since we implemented our Energy Management System, we can now monitor energy use in-depth on a monthly basis, and assess the results in both kWh and CO_2e. We communicate this information internally and to the Board each month, and set energy targets and objectives to reduce our overall energy consumption. Our Energy Management action plan helps us remain focused on areas of improvement across the Group.

Our carbon footprint for 2014/15 was 5,349.8 tonnes of CO_2e (Scope 1: 4,862.5 tonnes and Scope 2: 487.3 tonnes). This equates to 16 tonnes per £1m of revenue or 2.8 tonnes per Group employee.

Waste management

Waste management is vital for ensuring we do not negatively affect the environment. We aim to divert at least 90% of waste from landfill and therefore recycle as much as possible. We ensure we use licensed waste removal companies, who divert high percentage levels of waste from landfill.

This year we have achieved an average recycling and diversion from landfill rate of 96%, with some sites managing rates of up to 98%. We believe we are setting the bar high, in terms of waste management and diversion.

Leadership and governance

The Board's role in being a responsible business

The Board is directly responsible for implementing our responsible business agenda. This includes:

- Ensuring our wider responsibilities are understood within Lakehouse and in the marketplace
- Conveying how a responsible approach adds long term value to our business
- Actively demonstrating a commitment to responsible business practice, by creating and championing a responsible business culture
- Regularly reviewing our short and long term commitments

The Responsible Business Steering Group

The steering group is a formal, dedicated committee, which champions our commitment to responsible business with our employees and our key external stakeholders. It meets quarterly to review our progress and plans.

Our Group Director of HR, Marketing and CR, leads the steering group and reports directly to the Board. She is closely supported by members of the Corporate Responsibility, Sustainability, Marketing and Safety, Health, Environment and Quality teams. The steering group meets regularly with key stakeholders, to ensure our approach to responsible business is pro-active, and responds to and reflects the needs of our customers and partners.

Our Procurement team works with all our companies to reduce cost and risk, and to improve service and supply chain management. Our success is reflected in the nomination for Most Improved Supply Chain in the Chartered Institute of Procurement and Supply's Awards, as a result of the team's work with our supply chain to reduce waste and enhance relationships.

Our investment in training and development incorporates all types of professional skills, ranging from apprenticeship programmes and non-vocational qualifications through to supporting employees studying for degrees.

Financial review

This was a successful year for Lakehouse as we delivered our maiden results in line with our expectations. The year has been significant, delivering strong growth whilst managing the inevitable demands of completing our IPO.

Jeremy Simpson
Chief Financial Officer

Trading performance

Year ended 30 September	2015 £m	2014 £m	Change %
Revenue			
Regeneration	**161.7**	172.6	(6.3)%
Compliance	**36.6**	32.2	13.9%
Energy Services	**68.1**	22.9	196.6%
Construction	**73.4**	78.5	(6.5)%
Inter-segment elimination	**(3.2)**	(3.7)	–
Underlying Group revenue	**336.6**	302.5	11.3%
Revenue from loss-making contracts on businesses being exited (Construction division)*	**3.6**	–	–
Revenue	**340.2**	302.5	12.5%

Year ended 30 September	2015 £m	2014 £m	Change %
Underlying EBITA			
Regeneration	**10.5**	9.3	13.4%
Compliance	**4.5**	2.5	77.0%
Energy Services	**9.6**	2.8	244.1%
Construction	**4.8**	2.5	90.5%
Central costs	**(7.2)**	(6.3)	13.9%
Group underlying EBITA	**22.2**	10.8	105.6%
Exceptional and other items*	**(17.6)**	(9.5)	–
Operating profit	**4.6**	1.3	251.4%

Year ended 30 September	2015 %	2014 %	Change bps
Underlying EBITA %			
Regeneration	**6.5%**	5.4%	110bps
Compliance	**12.3%**	7.9%	440bps
Energy Services	**14.1%**	12.1%	200bps
Construction	**6.6%**	3.2%	340bps
Central costs	**(2.1)%**	(2.1)%	0bps
Group underlying EBITA	**6.6%**	3.6%	300bps

* Detailed further in Notes 4 and 7.

Underlying Group revenue in the year increased by 11.3% to £336.6m (2014: £302.5m), with organic revenue growth of 2.5%. Organic revenue excludes the impact of acquisitions in the year (specifically H2O Nationwide, Providor, Orchard Energy and Sure Maintenance), together with the annualised impact of the prior year acquisition of Everwarm and the exit from our social housing development activities. Revenue was £340.2m (2014: £302.5m), with the £3.6m difference to underlying revenue relating to revenues earned in the year from loss-making contracts on businesses being exited in our former social housing development activities (which sits in the Construction segment).

Group underlying EBITA rose by 105.6% to £22.2m (2014: £10.8m) to give an underlying EBITA margin of 6.6% (2014: 3.6%). Underlying EBITA excludes the amortisation of acquisition intangibles, contract losses on businesses being exited and exceptional items, which the Board believes provides a more appropriate view of our underlying operating performance. Organic EBITA growth was 50.0% (defined again as in revenue above). Operating profit rose to £4.6m, from £1.3m in the prior year.

The significantly improved Group underlying EBITA reflects progression in every division arising from operational improvements and a focus on higher margin work, producing an improve margin mix.

Regeneration

Full year revenues declined by £10.9m (6.3%) from £172.6m to £161.7m year on year. This reflects the Hackney Homes framework coming to maturity in the year, which had a 6.8% adverse impact on year on year revenues. We were pleased to see the new organic businesses in Regeneration (North) and responsive business in Regeneration (East) make a positive contribution in the second half of the year, as both reached profitability.

Underlying EBITA margins improved from 5.4% to 6.5% as a result of focusing on smaller frameworks where we could earn stronger returns, coupled with an improved operational performance.

Compliance

Full year revenues improved by £4.4m from £32.2m to £36.6m, representing an increase of 13.9%. The acquisition of our water and air business, H2O Nationwide, completed on 3 October 2014, and so provided a full year contribution. The acquisition of Sure Maintenance in September 2015 provided a small contribution, given its timing prior to year end. The acquisitions of Aaron Services and Precision Lifts both came after year end and, as such, made no contribution in the year.

Margins improved from 7.9% to 12.3% reflecting an improvement in business mix, particularly the contribution of water and air services, along with a number of high margin projects. The division also did not have the scale of new contract mobilisation experienced in the prior year and so saw a lower impact of such costs.

Energy Services

Full year revenues increased by 196.6%, from £22.9m to £68.1m. This reflected primarily the full year impact of Everwarm (acquired in April 2014), together with, to a lesser extent, the acquisitions of Providor in May 2015 and Orchard Energy in July 2015. The division grew 50% on an organic basis, reflecting the mobilisation of our Energy Services offering in England and a strong second half performance from Everwarm as we emerged strongly from a slow period over the winter.

Underlying EBITA margins grew from 12.1% to 14.1% in the year, reflecting the improved labour utilisation afforded by a higher level of activity, together with a full year contribution from Everwarm and the Energy (South) business turning from loss to profit in the year. Providor and Orchard Energy made small contributions after integration costs and both have showed significant early opportunities.

We have seen significant change in the market for energy subsidies during the year and towards the end of the period an ensuing reduction in the prices we received for carbon. We believe the breadth of offering we have developed through the three acquisitions, together with the organic opportunities we are realising, particularly with social housing clients in the developing English market, leaves us well placed to adapt to changes in the energy market. While not immune to further changes that may arise in the markets we have built an infrastructure that is strong and can help both Government and our social housing clients address the multiple challenges of budgetary limitations, at the same time as having to meet targets for carbon emissions and fight fuel poverty.

Construction

Full year underlying revenues declined by £5.1m (6.5%) from £78.5m to £73.4m and underlying EBITA improved by £2.3m (90.5%) from £2.5m to £4.8m, reflecting the closure of our social housing development activities last year, further details of which are outlined in Notes 4 and 7. Our core education business grew by 12.0%, as we saw the benefit of higher value work secured on our frameworks in London. We seek to grow our construction activities on a selective basis, where we can achieve an appropriate balance of risk and reward.

Financial review
continued

Central costs

Central costs increased 13.9%, from £6.3m in 2014 to £7.2m in 2015. This reflects the additional costs associated with being a listed company, together with additional support costs for the acquisitions we made in the year.

Exceptional and other items, including amortisation of acquisition intangibles

Exceptional and other items in the year related to the following:

	2015 £m	2014 £m
Contract losses on businesses being exited	**2.5**	–
Exceptional items:		
Acquisition costs	**0.8**	0.7
Contract costs	**2.9**	3.0
Disposal of subsidiary business	**–**	0.1
Restructuring	**0.8**	–
IPO costs	**4.2**	0.6
Total exceptional items	**8.7**	4.4
Amortisation of acquisition intangible assets	**6.4**	5.1
Operating loss impact of exceptional and other items	**17.6**	9.5
Accelerated amortisation of financing costs	**0.4**	–
Unwinding discount of deferred consideration	**0.4**	0.5
Loss before tax impact of exceptional and other items	**18.4**	10.0
Imputed taxation credit	**(3.3)**	(0.8)
Loss after tax impact of exceptional and other items	**15.1**	9.2

Exceptional and other items in the year reduced the Group's profit before tax by £18.4m and related to the following items:

Contract losses on businesses being exited

Contract losses on businesses being exited of £2.5m (2014: £nil) represent further losses incurred on certain legacy contracts of our now ceased social housing development business. The associated revenues on these contracts was £3.6m. In the prior year, a loss of £1.2m was incurred in the social housing development business, which was treated as part of underlying activities in that year.

Exceptional items

Acquisition costs comprise legal, professional and other expenditure in relation to acquisition activity during the year and amounted to £0.8m (2014: £0.7m).

Contract costs relate to exceptional remediation expenses associated with the resolution of historic matters on a specific contract. The amount of £2.9m above represents the cost of additional unforeseen work undertaken over and above the £3.0m provided in the year ended 30 September 2014.

Restructuring costs of £0.8m (2014: £nil) relate to redundancy costs, the write-off of certain fixed assets and legal fees in relation to reshaping the Group structure during the year post IPO.

IPO costs of £4.2m (2014: £0.6m) comprise legal, professional and incidental expenditure incurred in relation to the IPO. We also transferred £1.3m of costs to the share premium account at the half year.

Amortisation of acquisition intangibles

When we acquire businesses, we estimate the value of their intangible assets following a review of the following: business drivers, statutory accounts, completion accounts and share purchase agreement, as well as holding discussions with local management. As with our four previous acquisitions, the intangible asset is made up of three identified categories: contracted work, customer relations and non-compete agreement. The relative values of each depend on the number and value of long term contracts, wider commercial relationships and legal terms of the acquisition agreement.

Acquisition intangibles are recognised separately in the Group balance sheet and are amortised over their assessed useful life, which is typically between three and five years. We exclude this amortisation charge from our calculation of underlying EBITA, because the Board does not consider that the cost is appropriate in understanding our underlying operating performance.

Amortisation of acquisition intangibles was £6.4m for the year (2014: £5.1m), with the increase reflecting the full year effect of Everwarm, together with the acquisitions of H2O Nationwide, Providor, Orchard Energy and Sure Maintenance during the year.

The balance of the difference between acquisition price, less acquisition intangibles and net assets acquired, is held as goodwill on the balance sheet. Goodwill is reviewed annually for impairment, based on trading projections sourced from the Group's three year plan. The Board concluded that none of our acquisitions necessitated impairment during the year.

Accelerated amortisation of financing costs

Finance costs of £0.4m (2014: £nil) represent the acceleration of unamortised costs on the term loan we replaced with a new revolving credit facility in December 2014, ahead of the IPO.

Unwinding discount of deferred consideration

The unwinding discount of deferred consideration is a non-operating sum of £0.4m (2014: £0.5m) relating to the unwinding of discounts on deferred consideration payable for acquisitions.

Accounting treatment

The costs discussed above are considered non-trading because they are not part of the underlying trading of the Group and (aside from amortisation of acquisition intangibles and unwinding discount of deferred consideration) are not expected to recur year to year.

Cash impact

The main cash impact of the above contract losses on businesses being exited, contract costs and restructuring costs are expected to occur within one year. The other costs were either non-cash in nature or their impact occurred during the year.

Finance expense

The total finance expense for the year represented the interest charged on our debt facilities (net of finance income), together with the amortisation of debt raising costs, which totalled £0.6m (2014: £0.7m).

Our revolving credit facility was undrawn at year end. At the date of issuing this report we had drawn £23m, principally to finance the purchase of Aaron Heating Services Limited and Precision Lift Services Limited, along with £3.4m for deferred consideration payments due to the former owners of Allied Protection Limited and H2O Nationwide Limited.

We took the opportunity to renegotiate our banking facilities with Royal Bank of Scotland in December 2015 to secure a revolving credit facility of £45m (increased from £30m) for deployment in future corporate development activity.

Tax

The tax charge on underlying profit before tax of £21.6m was £4.1m, representing an effective rate of 19.0%, which compares with the statutory corporation tax rate of 20.5%. The difference was due to a settlement of items relating to the prior year.

The effective tax rate on statutory profit before tax for the year was 25.5%, the difference to the statutory rate being due to some £2.1m of exceptional items that were considered non-deductible for tax purposes.

Our cash tax payment for the year was £1.9m, compared to a statutory charge of £0.8m. The cash payment related to the timing of quarterly tax payments from the prior year. In the year, we utilised some £2.9m of a £5.9m tax credit, which arose on the exercise of share options at the time of the IPO and were eligible for Group tax relief. The difference between our cash and statutory charge was taken to reserves.

The remaining tax credit relates to a single Group company and may be utilised over a period of greater than one financial year.

Year ended 30 September (£m)	**2015 £m**	2014 £m
Underlying EBITA	**22.2**	10.8
Less:		
Exceptional and other items	**17.6**	9.5
Finance expense	**1.4**	1.2
Tax	**0.8**	0.5
Profit/(loss) after tax	**2.4**	(0.4)

Earnings per share

Underlying basic earnings per share were 13.7p (2014: 11.7p), based on underlying earnings of £17.5m (2014: £8.8m). Underlying earnings are stated after adding back £15.1m of exceptional and other items (after tax), as outlined above.

Our statutory earnings for the period were £2.4m (2014: £(0.4)m). Based on the weighted average number of shares in issue during the year of 127.8m, this resulted in basic earnings per share of 1.9p (2014: (0.5)p).

Further details are contained in Note 13.

Dividend

The Board has proposed a dividend of 1.9p per share in respect of the second half of the financial year. Subject to approval at the AGM, this will be paid on 8 February 2016 to shareholders on the register at the close of business on 8 January 2016.

Provisions

Provisions as at 30 September 2015 stood at £6.4m (30 September 2014: £6.7m). During the year, we utilised £3.3m of provisions in line with our expectations, predominantly £2.4m in relation to specific contract costs (discussed in exceptional items above) and £0.5m in relation to share costs utilised as part of the share restructuring process around the IPO.

We provided a further £2.9m in relation to specific contract costs (as outlined in Note 7) and recognised £0.8m as part of fair value accounting on acquisitions.

Further details are contained in Note 24.

Cash flow performance

Our operating cash flow for the year was £19.1m (2014: £15.3m) and £25.6m (2014: £15.5m) after taking account of the cash impact of exceptional and other items. This resulted in a strong underlying cash conversion of 115% (2014: 143%).

We calculate operating cash conversion as cash generated from operations, plus the cash impact of exceptional and other items, divided by underlying EBITA. We believe this measure provides a consistent basis for comparing cash generation consistently over time.

We managed working capital very tightly in the year, resulting in a positive movement of £5.9m. Our packaged subcontractor model still maintains a significant influence over cash dynamics for the Group and we saw a benefit in the year.

As the Group grows, we will need to continue to invest in working capital; in particular, the timing of revenues, method of contract delivery and customer contractual terms can all have an impact on cash conversion. Generally, as revenues rise under a packaged subcontractor model, there is a cash benefit, as we are paid more quickly by our clients than we pay our supply chain; conversely as revenues fall, we may find payments to subcontractors do not fall in proportion to lower revenues, resulting in a cash outflow. We are increasingly employing a direct labour model, which attracts higher margins, but involves a shorter working capital cycle, as we carry higher levels of inventory and pay the workforce more quickly than packaged subcontractors. Clients are increasingly seeking later payment terms, in particular pushing for payment on completion of work, rather than in stages.

After factoring in the matters highlighted above, together with the impact of the exceptional and other items in the balance sheet at year end, we expect to continue to target an average annual operating cash conversion of 80% over the long term.

Our net cash balance stood at £6.6m and we had no debt at 30 September 2015.

Corporate development

During the year, we made four acquisitions. These were:
- H2O Nationwide Limited in October 2014, for an initial cash consideration of £4.9m (including £2.1m of net cash received), fixed deferred payments of £1.4m and a contingent deferred consideration estimated at £0.9m (capped at £2.0m)
- Providor Limited in May 2015, for an initial cash consideration of £5.6m (including £0.8m of net cash received) and a contingent deferred consideration estimated at £1.5m (capped at £2.0m)
- Orchard (Holdings) UK in July 2015, for an initial cash consideration of £8.9m (including £1.9m of net cash received) and a contingent deferred consideration estimated at £1.6m (capped at £3.0m)
- Sure Maintenance Group, for an initial cash consideration of £7.3m (including £0.8m of cash and cash equivalents received) and a contingent deferred consideration estimated at £0.5m (capped at £2.35m)

Financial review
continued

All amounts are stated net of discounting to present values as at 30 September 2015 and net cash received is net of working capital adjustments.

We made a further two acquisitions after the year end:
- Aaron Heating Services Limited in November 2015, for an initial cash consideration of £6.7m and a contingent deferred consideration, capped at £3.3m
- Precision Lift Services Limited in December 2015, for an initial cash consideration of £5.5m and a contingent deferred consideration, capped at £3.0m

Deferred consideration

During the year, we made further fixed deferred consideration payments in relation to Foster Property Maintenance and Allied Protection. The table below shows the total discounted deferred consideration payable and the amount outstanding at the year end. £7.2m of the deferred consideration outstanding at year-end is contingent on future earnings of the businesses acquired.

Acquired business	At 30 Sep 2014 £m	Additions (payments, including discounting) £m	**At 30 Sep 2015 £m**
Foster Property Maintenance	9.6	(9.6)	**–**
Allied Protection	3.5	(0.2)	**3.3**
H2O Nationwide	–	2.3	**2.3**
Providor	–	1.5	**1.5**
Orchard Energy	–	1.6	**1.6**
Sure Maintenance	–	0.5	**0.5**
	13.1	(3.9)	**9.2**

In addition to the acquisitions discussed above, one of our former acquisitions – Allied Protection – had contingent deferred consideration as part of the transaction terms, amounting to £2.7m. Allied Protection met its profit targets in the year to 30 September 2015, resulting in a full payment of the £2.7m contingent consideration in November 2015 (and is included in full within the table above).

Acquisition integration

We have a well worked integration process for acquisitions and focus on certain key items in the first 100 days:
- Daily cash reporting and maintenance of a rolling three month cash forecast
- Alignment of financial reporting with the Group's reporting timetable
- Future income visibility through monthly forecasting
- Order book reporting, which underpins the predictability for our revenue
- Alignment of accounting policies

We typically conduct the due diligence in-house, with support from external advisers where appropriate and specific value can be added. This process means we get to know the acquired businesses well and cover the above integration matters during the process, such that acquired businesses are substantially aligned from day one.

The Group has a track record of purchasing successful, well-managed businesses with comparable culture and financial discipline to our own. This helps ensure their integration is relatively smooth.

Going Concern statement

The Directors acknowledge the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies' issued in October 2009. The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report as referred to on pages 1 to 42. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review, as part of the Strategic Report, on pages 38 to 42. In addition, Note 31 to the consolidated financial statements includes details of the Group's approach to financial risk management, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk. In assessing the Group's ability to continue as a going concern, the Board reviews and approves the annual budget including 12 month forecasts of cash flows and borrowing requirements. The Board reviews the Group's sources of available funds and the level of headroom available against its committed borrowing facilities. The Group's financial forecasts, taking into account possible sensitivities in trading performance, indicate that the Group will be able to operate within the level of its committed borrowing facilities. On 4 December 2015, the Group extended its Revolving Credit Facility, from £30m to £45m. The facility will mature in December 2018, albeit our funder has the option to extend this to December 2019. The Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts.

Viability statement

The Directors have considered section C.2.2 of the 2014 Corporate Governance Code and, taking account of the Group's current position, prospects and principal risks, confirm they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, over the three year period to 30 September 2018. A three year period is considered appropriate in light of the lifecycle of the Group's order book, beyond which, management has less visibility. This assessment performed alongside the Group's consideration of principal risks and annual three year financial planning process.

The Group performs a series of risk reviews during the year, managed through a Risk Committee and included in monthly operational reviews conducted with each division; the outcome is presented to the Audit Committee twice annually for review and challenge. This ensures that all matters of significance are considered and key risks brought to the attention of the Board.

The Group's three year financial plan ('Plan') is built on a bottom-up basis by business and segment and utilises the data provided in the Group's order book, framework contracts and opportunity pipeline. The Plan is reviewed in detail with each division through a series of reviews and tested for a range of sensitivities, which quantify the principal risks facing the business, including contract losses, financial shortfalls and increased working capital demands. Management consider such risks insofar as they possess or can determine the information to do so, and there will always be an element of inherent uncertainty, particularly as regard matters outside their direct control, such as Government policy and client procurement policies. Sensitivities are also tested against our available banking facilities to ensure we had sufficient headroom and remain compliant with our banking covenants.

Executive Chairman's introduction to Corporate Governance

Stuart Black
Executive Chairman

As Executive Chairman it is my responsibility to ensure that Lakehouse is governed and managed with transparency and in the best interests of stakeholders.

Dear Shareholder
On behalf of the Board, I am pleased to present Lakehouse's Corporate Governance Report for the financial year ended 30 September 2015, our first year as a listed company. As Executive Chairman it is my responsibility to ensure that Lakehouse is governed and managed with transparency and in the best interests of stakeholders.

Lakehouse listed its Ordinary Shares on the Main Market of the London Stock Exchange on 23 March 2015. The Listing Rules of the Financial Conduct Authority, and the UK Corporate Governance Code ('the Code'), have therefore only applied to the Company since that date.

The Board of Lakehouse is committed to maintaining a sound framework for the control and management of the Group. The Directors and I believe good corporate governance is fundamental to effective management of the business and delivery of long term shareholder value.

Inevitably, there has been a particular focus this year on establishing governance structures, internal control systems and policies and procedures that are appropriate for a company of our size and reputation. Sound governance structures were in place at Lakehouse prior to the IPO, but we have welcomed the opportunity that the IPO provided to strengthen these where necessary. I am delighted to be able to report close to full compliance with the Code for the period since we became a listed company.

In the lead up to the IPO, the Company appointed three new Independent Non-Executive Directors, all of whom bring a wealth of experience and knowledge to the Board, including the appointment of a Senior Independent Director. To assist the Board in its oversight functions, during the year we established the Audit, Nomination and Remuneration Committees. I am pleased to report the Board and its Committees are operating effectively. We intend to keep the Board and Committee performance under close review, and it is the Board's intention to conduct a formal performance review exercise during the course of the new financial year.

Following the successful outcome of our IPO, we now have a new and wider shareholder base – a key priority for the Board is communicating effectively with the owners of the business. Details of our approach to communicating with shareholders is set out on page 51 and the Board is actively developing a programme of meetings and presentations to investors. I look forward to welcoming as many of our shareholders as are able to attend to our first Annual General Meeting as a listed company which is to be held at the offices of Eversheds LLP, 1 Wood Street, London EC2V 7WS on 5 February 2016.

Stuart Black
Executive Chairman

Board of Directors

Stuart Black
Executive Chairman

Appointment
Stuart joined Lakehouse in August 2008 as Executive Chairman to create and shape the Group's growth strategy.

Committee membership
Member of the Nomination Committee.

Key strengths
Stuart has extensive experience in leadership roles in the support services sector. In a career spanning more than 25 years, he has held senior positions in a range of support services organisations.

Experience, skills and qualifications
Before joining Lakehouse in 2008 Stuart was Chief Executive of Mears Group PLC. Prior to that, Stuart held the positions of Business Development Director at Mouchel PLC between 2001 and 2004, Corporate Development Director at Citex Group between 1998 and 2001 and was a Director at Bucknall Group between 1986 and 1998. Stuart is also Non-Executive Chairman of TCL Group.

Sean Birrane
Chief Executive Officer

Appointment
Sean joined Lakehouse in December 1996. He was appointed Managing Director of Lakehouse in October 2008 and Chief Executive Officer in October 2014.

Committee membership
None.

Key strengths
Sean has over 20 years' experience in the support services and construction sectors. His career at Lakehouse has spanned commercial and operational roles across all aspects of the business and in a range of key sectors.

Experience, skills and qualifications
Sean joined Lakehouse in 1996 as a Contracts Manager and has been instrumental in the growth of the business in that period. Sean was appointed Commercial Director in 2006 and promoted to Managing Director in 2008. As Chief Executive Officer Sean has day to day operational responsibility for the business. Sean is a Member of the Royal Institute of Chartered Surveyors.

Jeremy Simpson
Chief Financial Officer

Appointment
Jeremy joined Lakehouse in April 2014 as Chief Financial Officer.

Committee membership
None.

Key strengths
Jeremy has broad finance experience and has held senior financial positions with a number of public companies.

Experience, skills and qualifications
Prior to joining Lakehouse, Jeremy was Group Corporate Development Director and UK Finance Director at Shanks Group plc from 2011 to 2014. Previously, Jeremy was Director of Finance at Hunting PLC between 2010 and 2011, VP Finance EMEA at Avery Dennison between 2009 and 2010 and at Smiths Group in a number of roles, including Corporate Development Manager and Director of Finance at Smiths Medical. Before joining Smiths Group in 2001, Jeremy was an Associate Director at KPMG Corporate Finance. Jeremy is a qualified chartered accountant, having trained at Ernst & Young LLP. Jeremy is a trustee of the single parent charity, Gingerbread.

Michael McMahon
Executive Director and Managing Director – Energy Services

Appointment
Michael joined the Group in April 2014 following its acquisition of Everwarm.

Committee membership
None.

Key strengths
Michael has significant experience in the energy services sector and was a founder director of Everwarm.

Experience, skills and qualifications
Michael has considerable experience in the energy services sector and was a founder director of Everwarm in 2011, which grew to become a profitable company with turnover in excess of £45m by the time of its acquisition by Lakehouse in 2014. Prior to founding Everwarm, Michael was Group Operations Director at Eaga plc, leaving shortly before it was acquired by Carillion plc to found Everwarm.

Chris Geoghegan
Senior Independent Director

Appointment
Chris was appointed to the Board of Lakehouse in February 2015.

Committee membership
Chairman of the Nomination Committee and member of the Audit and Remuneration Committees.

Key strengths
Chris has extensive business and management experience. In his career he has held a number of senior executive positions and has broad experience as a non-executive director.

Experience, skills and qualifications
Chris was the Senior Independent Non-Executive Director of Kier Group plc between 2007 and 2014. Prior to joining Kier, Chris was a Director of BAE Systems plc, serving as Chief Operating Officer with responsibility for all European joint ventures and UK defence electronics assets between 2002 and 2007. Chris is also a Non-Executive Director and Senior Independent Director of SIG plc. He was formerly Non-Executive Chairman of e2v technologies plc and Senior Independent Director of Volex plc. Chris is a Fellow of the Royal Aeronautical Society and a past President of the Society of British Aerospace Companies.

Jill Ainscough
Non-Executive Director

Appointment
Jill was appointed to the Board of Lakehouse in February 2015.

Committee membership
Chair of the Remuneration Committee and member of the Audit and Nomination Committees.

Key strengths
Jill has extensive operational and management experience across a range of industries and has held senior management and non-executive board positions in a number of regulatory and public bodies.

Experience, skills and qualifications
Jill was Chief Operating Officer of Ofcom, the independent regulator for the UK communications industries, from 2007 to 2014. Jill is also a Non-Executive Director of the BMJ. She was previously a Non-Executive Director of Sport England between 2007 and 2013, where she chaired the Audit Committee. Prior to this she was UK Managing Director of Easynet Group. Jill is a Fellow of the Institute of Chartered Secretaries and Administrators.

Johnathan Ford
Non-Executive Director

Appointment
Johnathan was appointed to the Board of Lakehouse in February 2015.

Committee membership
Chairman of the Audit Committee and member of the Nomination and Remuneration Committees.

Key strengths
Johnathan has extensive finance, commercial and corporate finance experience across a range of industries, including the support services sector.

Experience, skills and qualifications
Johnathan is Chief Financial Officer of Homeserve plc, having been appointed in 2012. Prior to that appointment Johnathan was Group Finance Director of NWF Group plc. Prior to joining NWF in 2009, he spent four years at HomeServe, firstly as Group Commercial Director and later as Finance Director of the Emergency Services Division. Before joining HomeServe he was Head of Corporate Finance at Kidde plc. Johnathan is a Fellow of the Institute of Chartered Accountants in England and Wales.

Simon Howell
Company Secretary

Appointment
Simon joined Lakehouse in June 2014 as Group Company Secretary.

Committee membership
n/a

Key strengths
Simon is an experienced company secretarial and legal professional, having held a number of such positions in quoted and private companies, including in the support services sector.

Experience, skills and qualifications
Simon was Company Secretary and Head of Legal at May Gurney Integrated Services plc between 2009 and 2013, leaving on its acquisition by Kier Group plc. Prior to joining May Gurney, Simon was Company Secretary of UBC Media Group plc between 1997 and 2000. Simon is a Fellow of the Institute of Chartered Secretaries and Administrators.

Corporate Governance Report

The Governance Structure

Leadership, Strategy and Development, Controls, Risk, Values

Chairman
Johnathan Ford

Members
Jill Ainscough
Chris Geoghegan

Key responsibilities
Reviewing and monitoring the integrity of the financial statements.

Ensuring an effective system of internal controls is maintained.

Monitoring accounting policies.

More information
Audit Committee Report, pages 53 to 55.

Chairman
Chris Geoghegan

Members
Jill Ainscough
Stuart Black
Johnathan Ford

Key responsibilities
Provide a formal, rigorous and transparent procedure in respect of appointments to the Board.

Evaluate the structure, size and composition of the Board.

Review leadership of the Group and give consideration to succession planning.

More information
Nomination Committee Report, page 52.

Chair
Jill Ainscough

Members
Johnathan Ford
Chris Geoghegan

Key responsibilities
Propose the over-arching principles, parameters and governance framework of the Group's remuneration policy.

Determining the remuneration and benefits packages of the Executive Directors.

More information
Remuneration Committee Report, pages 56 to 68.

Members
– Executive Chairman
– Chief Executive Officer
– Chief Financial Officer
– Managing Directors of Regeneration (South), Regeneration (East), Compliance, Energy Services and Construction
– Company Secretary
– Group Commercial Director
– Business Improvement Director
– Group Human Resources Director

Key responsibilities
Assist the Executive Chairman and Chief Executive Officer in the performance of their duties, including development and implementation of the strategic plan. Deal with all executive business of the Group not specifically reserved to the Board or its Committees, including operational management of the business and the implementation of appropriate systems and controls.

The role and structure of the Board

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business, strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Board operates in accordance with the Company's articles of association and the Board's written 'Matters Reserved for the Board' which was approved by the Board in March 2015. The Board has established a number of Committees, as set out on page 50. Each Committee has its own terms of reference which are reviewed at least annually.

The Matters Reserved for the Board are set out in written terms of reference and are available on the Company's website at **www.lakehouse.co.uk/investors/corporate-governance/board-and-committee-terms-reference.**

UK Corporate Governance Code 2014 – Compliance Statement

The Company adopted the UK Corporate Governance Code 2014 on 23 March 2015 on admission of its shares to the UKLA's Official List and Listing on the Main Market of the London Stock Exchange.

From the date of listing to 30 September 2015, the Company has applied all the main principles of the Code and has complied with the provisions of the Code save as noted below:

Code Provision A.3.1

Detail – requires that the Chairman should, on appointment, meet the independence criteria in provision B.1.1.

Explanation of non-compliance – Stuart Black was appointed as Executive Chairman of Lakehouse in 2008 and has played a pivotal role in the growth and development of the business since that date. Whilst the Code recommends that the Chairman should be independent, the Directors believe that the role the Chairman performs in creating and shaping the Group's strategic vision and in driving growth means that the Group's and shareholders' interests are best served by him continuing in his position.

Code Provision B.6.1 and B.7.2

Detail – The Board did not undertake an annual evaluation of its own performance and that of its Committees and individual Directors.

Explanation of non-compliance – In the short period of time from admission to the Company's year end of 30 September 2015 it was considered too early for the Board to undertake an evaluation of its own performance. During the coming year it is intended that an internal performance evaluation will be undertaken.

A summary of the main matters reserved for decision by the Board is set out below:

Strategy and management

- Overall management of the Group
- Approval of the long term objectives and commercial strategy
- Approval of the annual operating and capital expenditure budgets
- Review of performance in light of the Group's strategy, objectives, business plans and budget

Structure and capital

- Changes to the Group capital structure
- Changes to the Group's corporate structure
- Changes to the Group's management and control structure

Financial reporting and controls

- Approval of financial statements
- Approval of dividend policy
- Approval of significant changes in accounting policies
- Ensuring maintenance of a sound system of internal control and risk management

Contracts

- Approval of major capital projects
- Approval of contracts deemed material strategically or for reasons of size

Board membership

- Changes to the structure, size and composition of the Board
- Appointment or removal of the Chairman, Chief Executive Officer, Senior Independent Director and Company Secretary
- Membership and chairmanship of Board Committees

Remuneration

- Determining the remuneration policy for the Directors, Company Secretary and other senior executives
- Determining the remuneration of the Non-Executive Directors
- Introduction of new share incentive plans or major changes to existing plans

Delegation of authority

- Approval of the written division of responsibilities between the Chairman, the Chief Executive Officer and other Executive Directors

Corporate governance

- Review of the Group's overall governance structure
- Determining the independence of Directors
- Considering the balance of interests between shareholders, employees, customers and the community

Policies

- Approval of policies, including the Code of Conduct, share dealing code, health and safety policy, corporate responsibility policy, anti-bribery and corruption policy

Other areas

- Making of political donations
- Approval of the appointment of the Group's principal professional advisers
- Approval of the overall levels of insurance for the Group

Corporate Governance Report
continued

The Board currently consists of the Executive Chairman, Chief Executive Officer, two Executive Directors and three Non-Executive Directors.

The Board meets formally at least 10 times a year, with additional ad-hoc meetings called as and when circumstances require. There is an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the financial calendar.

In the period from 28 January 2015 to 30 September 2015 there were eight Board meetings and a number of ad-hoc meetings in connection with the acquisitions of Orchard Holdings (UK) and Sure Maintenance Group. There were also a number of meetings of Board Committees.

The table below shows the Directors' attendance at Board and Committee meetings they were eligible to attend in the year:

Director	Board scheduled meetings	Board ad-hoc meetings	Audit	Remuneration	Nomination
Executive Directors					
Stuart Black[1,3]	8/8	2/2	–	–	1/1
Sean Birrane[1,3]	7/8	2/2	–	–	–
Jeremy Simpson[2,3]	8/8	2/2	–	–	–
Michael McMahon[2,3]	7/8	1/2	–	–	–
Non-Executive Directors					
Chris Geoghegan[2]	8/8	1/2	2/2	3/3	1/1
Jill Ainscough[2]	8/8	2/2	2/2	3/3	1/1
Johnathan Ford[2]	8/8	2/2	2/2	3/3	1/1

Note:
1. Appointed 28 January 2015.
2. Appointed 17 February 2015.
3. Stuart Black joined Lakehouse in August 2008, Sean Birrane joined Lakehouse in December 1996, Jeremy Simpson joined Lakehouse in April 2014 and Michael McMahon joined Lakehouse in April 2014 following the acquisition of Everwarm.

At least once a year the Board undertakes a full strategic review of the business operations, usually in the course of a day.

All Directors are expected to attend all meetings of the Board and any Committees of which they are a member and are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors.

Key Board roles and responsibilities

Whilst the Code recommends that the Chairman should be independent, the Directors believe that the significant contribution that Stuart Black has made to the Group in creating and shaping its strategic vision and in driving growth means that the Group's and shareholders' interests are best served by him continuing in his position. Stuart Black is required to commit three days a week to his duties and role as Executive Chairman of the Company. Stuart Black is also Non-Executive Chairman of TCL Group.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer which is written and approved by the Board. The roles of the Chairman and Chief Executive are separately held and the role of each is clear and distinct. The Division of Responsibilities between the Chairman and the Chief Executive Officer and the role of the Senior Independent Director are set out in written terms of reference and are available on the Company's website at **www.lakehouse.co.uk/investors/corporate-governance/board-and-committee-terms-reference.**

Senior Independent Director

The Code recommends that the Board of Directors of a company with a premium listing on the Official List should appoint one of the Non-Executive Directors to be the Senior Independent Director to act as a sounding board for the Chairman and to support him in the delivery of his objectives. The Senior Independent Director is also responsible for leading the Non-Executive Directors in monitoring and evaluating the performance of the Executive Chairman, leading on corporate governance issues and being available to shareholders if they have any concerns which contact through the normal channels of the Chairman, the Chief Executive Officer or the Chief Financial Officer has failed to resolve or for which such communication is inappropriate. Chris Geoghegan has been appointed as the Company's Senior Independent Non-Executive Director.

A summary of the key areas of responsibility of the Chairman, Senior Independent Director and Chief Executive Officer are set out below:

Role	Responsibilities
Executive Chairman	– To manage the business of the Board and chair its meeting – Setting the Board agenda and ensuring the Board receives accurate, timely and clear information in advance of meetings – Ensuring that adequate time is available for the Board to consider all agenda items – Ensuring the Senior Independent Director is informed on all important matters – Develop the Group objectives and strategy – Ensure the Board understands the views of shareholders and other key stakeholders – Promote the highest standards of integrity, probity and corporate governance – Ensuring constructive relationship with the Chief Executive Officer and other members of the executive management – Ensure constructive relationships and open communication between Non-Executive Directors and Executive Directors and between the Board and investors – Regularly consider the Board's succession planning and composition
Senior Independent Director	– Available to shareholders if they have concerns that cannot be resolved through contact with the Executive Chairman, Chief Executive Officer of Chief Financial Officer – Lead the monitoring and evaluation annually of the performance of the Executive Chairman – Lead on governance issues, including the annual review of Board effectiveness and performance of individual Directors – Lead the Non-Executive Directors in relaying any issues, concerns or observations, including the views received from major shareholders – Provide support and guidance to the Executive Chairman and act as a sounding board – Lead the oversight of the Executive Chairman to ensure a clear division of responsibility between the Executive Chairman, Chief Executive Officer and the Senior Independent Director
Chief Executive Officer	– Manage the day to day business of the Company and the development of the Company and its operations, taking account of the policies and direction of the Board and its Committees – Ensure the timely and effective implementation of the objectives, policies and strategies set by the Board – Report regularly to the Executive Chairman and the Board on progress of the strategy, the Company's performance and operational matters – Bring to the Board's attention all matters affecting the achievement of the strategy or the performance of the Company – Maintain standards of corporate governance and develop, communicate and embed effective business and financial controls and risk identification and management processes – Ensure the Group meets its corporate responsibility obligations – Set objectives for direct reports and assess and report regularly to the Board on the achievement of objectives – Develop senior talent development and succession planning – Create the appropriate organisational design and environment for the recruitment, engagement, retention and development of employees at all levels – In conjunction with the Chief Financial Officer, develop an annual budget and the funding plan in line with the agreed strategy for approval by the Board – Represent the Company and further its best interests with the business community, investors and analysts, the media, customers, suppliers and the public – Ensure the Board is aware of employees' views on relevant issues

Audit Committee
The Audit Committee is comprised of all the Non-Executive Directors. The Audit Committee Chairman is Johnathan Ford. The Audit Committee will meet not less than three times a year.

The main roles and responsibilities of the Audit Committee are set out in written terms of reference and are available on the Company's website at **www.lakehouse.co.uk/investors/corporate-governance/board-and-committee-terms-reference.**

Details of the Audit Committee's activities can be found in the Audit Committee Report on pages 53 to 55.

The Remuneration Committee
The Remuneration Committee is comprised of all the Non-Executive Directors. The Remuneration Committee is chaired by Jill Ainscough.

The main roles and responsibilities of the Remuneration Committee are set out in written terms of reference and are available on the Company's website at **www.lakehouse.co.uk/investors/corporate-governance/board-and-committee-terms-reference.**

Details of the Remuneration Committee's activities can be found in the Remuneration Committee Report on pages 56 to 68.

The Nomination Committee
The Nomination Committee is comprised of all the Non-Executive Directors and the Executive Chairman. The Nomination Committee Chairman is Chris Geoghegan.

The main roles and responsibilities of the Nomination Committee are set out in written terms of reference and are available on the Company's website at **www.lakehouse.co.uk/investors/corporate-governance/board-and-committee-terms-reference.**

Details of the Nomination Committee's activities can be found in the Nomination Committee Report on page 52.

Balance and independence
In accordance with the main principle B.1 of the Code, the Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. The size and composition of the Company's Board is kept under review by the Nomination Committee and the Board to ensure an appropriate balance of skills and experience is maintained.

The Code recommends, in the case of a FTSE 350 company, that at least half the Board of Directors (excluding the Chairman) should comprise 'independent' Non-Executive Directors. Where a company is outside the FTSE 350, the Code recommends that the Board of Directors comprise at least two 'independent' Non-Executive Directors. The Board comprises the Executive Chairman, who is not considered to be independent, three Executive Directors and three Non-Executive Directors. The three Non-Executive Directors comprise Chris Geoghegan, Senior Independent Director, Jill Ainscough and Johnathan Ford and are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement. As at the date of this report, the Company (being outside the FTSE 350) complies with the recommendations of the Code concerning the number of independent Non-Executive Directors the Company should have.

Commitment
The terms of appointment of the Non-Executive Directors specify the amount of time they are expected to devote to the Company's business. They are currently expected to commit to a minimum of two days per month which is calculated based on the time required to prepare for and attend Board and Committee meetings, and additional duties such as attendance at the AGM and meetings with shareholders.

Length of appointment
Non-Executive Directors are appointed for terms of three years which may be renewed, subject to the particular Director being re-elected by shareholders, for up to a normal maximum of three terms (nine years).

Conflicts of interest
The Company's Articles of Association set out the policy for dealing with Directors' conflicts of interest and are in line with the Companies Act 2006. The Board has a formal system in place for Directors to declare conflicts of interest and for such conflicts to be considered for authorisation.

Training and development
In preparation for Admission, all Directors received an induction briefing from the Company's legal advisers on the duties and responsibilities as Directors of a publicly quoted company. In addition, the new Non-Executive Directors have met key members of senior management in order to familiarise themselves with the Group.

Information and support
To enable the Board to function effectively and to assist the Directors in discharging their responsibilities, full and timely access is given to all relevant information to the Board. In the case of Board meetings this consists of a formal agenda and a comprehensive set of papers including regular business progress reports. An established procedure is in place to ensure that such information is provided to Directors in a timely manner in advance of meetings. Specific business-related presentations are given by senior management when appropriate.

The Company Secretary works closely with the Chairman, the Chief Executive Officer and the chairs of the Board Committees to ensure that Board procedures, including setting agendas and the timely distribution of papers, are complied with and that there are good communication flows between the Board and its Committees, and between senior management and Non-Executive Directors. The Company Secretary is also available to all Directors to provide advice and support, including facilitating induction programmes. All Directors are able to take independent professional advice at the Company's expense in the furtherance of their duties where considered necessary.

Re-election of Directors
The forthcoming AGM on 5 February 2016 will be the Company's first. In accordance with the Code, all the Directors will be offering themselves for election at the AGM.

Whistleblowing
The Company has established procedures by which employees may, in confidence, raise concerns relating to the some danger, fraud, or other illegal or unethical conduct in the workplace. The Whistleblowing Policy applies to all employees of the Group, and also consultants, casual workers and agency workers. The Audit Committee is responsible for monitoring the Group's whistleblowing arrangements and the policy is reviewed periodically by the Board.

Relations with shareholders
Dialogue with shareholders
Prior to the IPO the Company's shareholders comprised of a number of management and staff, members of their family and former employees of the Group. As a result of the IPO, a larger shareholder base has developed. Investor relations activity and a review of the share register are regular items in the Board information pack.

As part of the IPO 'roadshow' in 2015 and in the period since the IPO, the Executive Directors have met a large number of investors and have engaged in active discussions with shareholders and investors, both on an individual basis and through roadshow events. The Company aims to maintain an active dialogue with key stakeholders, including institutional investors, to discuss issues relating to the performance of the Group, including strategy and new developments. As indicated above, the Senior Independent Director is available to discuss any matter shareholders might wish to raise and attends meetings with investors as required.

The Company has an investor website which is publicly available and provides relevant information to both institutional investors and private shareholders, including performance updates and presentations made to analysts and investors.

Annual General Meeting
The Company's first Annual General Meeting will take place on 5 February 2016 at the offices of Eversheds LLP, 1 Wood Street, London EC2V 7WS. A separate notice convening the Annual General Meeting is being sent out with this Report and financial statements. Separate votes are held for each proposed resolution. At the Annual General Meeting, after the formal business has been concluded, the Chairman will welcome questions from shareholders. All Directors attend the meeting, at which they have the opportunity to meet with shareholders. Details of the resolutions to be proposed at the Annual General Meeting on 5 February 2016 and an explanation of the items of special business can be found in the circular that contains the notice convening the Annual General Meeting.

Approved by order of the Board.

Stuart Black
Executive Chairman
9 December 2015

Corporate Governance Report
Nomination Committee Report

Chris Geoghegan
Nomination Committee Chairman

Dear Shareholder,
The Nomination Committee was formed on the admission of Lakehouse plc shares to the London Stock Exchange on 23 March 2015.

This is Lakehouse's first year in public life and consequently there has been considerable focus on establishing a robust Board with the necessary mix of skills, knowledge, experience and diversity to drive the strategic objectives of the business. The Nomination Committee is responsible for leading this process and making recommendations to the Board.

The Nomination Committee will also lead the process of Board Evaluation which will commence in 2016, our first full year as a public company.

Membership of the Nomination Committee and attendance during the year
The Nomination Committee comprises the Non-Executive Directors and the Executive Chairman.

Name of member	Date of appointment to the Committee	Number of meetings attended	Maximum number of meetings the member could have attended	% of possible meetings attended
Chris Geoghegan (Committee Chairman)	17 February 2015	1	1	100
Johnathan Ford	17 February 2015	1	1	100
Jill Ainscough	17 February 2015	1	1	100
Stuart Black	17 February 2015	1	1	100

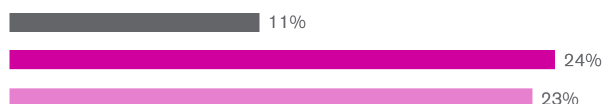
The Terms of Reference of the Nomination Committee are available to view at **www.lakehouse.co.uk/investors/corporate-governance/board-and-committee-terms-reference.**

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Recruitment process
In preparation for the IPO and prior to the appointment of a Nomination Committee, the Board undertook a thorough process, with the assistance of its advisers, to identify appropriate Non-Executive Directors with the correct balance of skill, knowledge and experience to be relevant to the Group and to drive the Company forward and the process included candidates meeting ongoing Directors prior to the recommendation for appointment by the Board.

Diversity
The Board acknowledges that diversity extends beyond the boardroom and supports the management effort to build a diverse organisation. The Company believes in promoting diversity at all levels of the organisation. Women are estimated to make up 11% of the UK construction workforce*. 24% of Lakehouse's employees are women. As present 23% of our senior management team are female. The Board believes this will increase over time. When considering the optimum composition of the Board, it is believed all appointments should be made on merit, whilst ensuring an appropriate balance of skills and experience within the Board.

Percentage of women in the construction industry and women as a percentage of employees of Lakehouse



- Estimated percentage of women in the construction workforce*
- Women as a percentage of Lakehouse's employees
- Women as a percentage of Lakehouse's senior management team

* Source: The Smith Institute, Building the Future: Women in Construction.

Key issues reviewed by the Committee in the year
Below are some of the issues the Nomination Committee has considered in the period:
- Review of the balance of skills, knowledge, experience and diversity on the Board
- Establishing an induction programme for Non-Executive Directors
- Planning for Board evaluation and review of succession planning
- Review of the skills and the independence of each of the Non-Executive Directors and recommendation that each of them be elected at the Company's first AGM on 5 February 2016

Action plan for 2015/16
The year to 30 September 2016 will be Lakehouse's first full year as a public company. Below are some of the issues that the Nomination Committee plans to consider as part of an Action Plan for the year:
- Undertake a Board performance evaluation and look to implement any recommended changes
- Review development and induction programmes for Board members
- Continue to review succession planning for the Board and key roles across the business and identification of a future talent pipeline in the business

Chris Geoghegan
Nomination Committee Chairman
9 December 2015

Corporate Governance Report
Audit Committee Report

Johnathan Ford
Audit Committee Chairman

Dear Shareholder,
The Audit Committee was formed prior to the admission of Lakehouse plc shares to the London Stock Exchange on 23 March 2015. This report focuses on the matters considered by the Committee during the course of the year, in particular the work being undertaken to transition Lakehouse from being a private company to a plc, its first Annual Report as a listed company and the Committee's priorities for the future.

Membership of the Audit Committee
The Audit Committee comprises the Non-Executive Directors of the Company. The Audit Committee is chaired by Johnathan Ford, who has recent and relevant financial experience. He is a chartered accountant with many years' experience as a plc finance director and he is also Chief Financial Officer of Homeserve plc.

The following table shows the number of meetings held during the period from 17 February 2015 to 30 September 2015 and the attendance record of individual members of the Committee.

Name of member	Date of appointment to the Committee	Number of meetings attended	Maximum number of meetings the member could have attended	% of possible meetings attended
Johnathan Ford (Committee Chairman)	17 February 2015	2	2	100
Chris Geoghegan	17 February 2015	2	2	100
Jill Ainscough	17 February 2015	2	2	100

Following the year-end, the Committee has met to approve the Group's Annual Report and Financial Statement.

The Audit Committee is scheduled to meet regularly throughout the year and its agenda is linked to events in the Group's financial calendar. The Audit Committee invites the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller and the Group Business Improvement Director, together with senior representatives of the external and internal auditors, to attend each meeting. The Company Secretary acts as secretary to the Committee. In addition, the Committee meets in private with the internal and external auditors without management present.

The Terms of Reference of the Audit Committee are available to view at **www.lakehouse.co.uk/investors/corporate-governance/board-and-committee-terms-reference.**

The role of the Audit Committee
The primary function of the Audit Committee is to assist the Board in discharging its responsibilities with regard to financial reporting and the external and internal controls, including:
- reviewing and monitoring the integrity of the Group's annual and interim financial statements
- advising on the appointment of the external auditors and overseeing the Group's relationship with its external auditors
- reviewing the scope and effectiveness of the external audit process
- reviewing the independence and objectivity of its auditors
- reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditors
- making recommendations to the Board on accounting policies
- reviewing the effectiveness of the Group's internal control and review function
- approving and monitoring the internal audit plan
- receiving reports from the Company's internal and external auditors
- making recommendations to the Board for a resolution to be put to the shareholders for the appointment of the external auditors, approval of their remuneration and terms of their engagement
- reviewing the Group risk registers and advising the Board on the effectiveness of risk action plans
- reviewing the adequacy and effectiveness of the whistleblowing and anti-bribery policy and procedures

Preparation for the IPO
As part of completing the Group's Financial Position, Prospects and Procedures Report during the IPO process, the Directors, supported by Deloitte, undertook a detailed assessment of the following areas:
- Board and Committee governance and the procedure for assessing the Group's key risks
- the management accounting process and the information provided to the Board
- external financial reporting procedures, audit arrangements and reporting standards
- internal controls environment
- the Group's information systems
- forecasting and budgeting procedures and controls

Significant accounting matters

The Audit Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. In its assessment the Committee considered and challenged reports from management prior to both the interim and full year results explaining each area of judgement and management's recommended approach. The Committee also received reports from the external auditor, which provide an overview of the audit work undertaken and sets out its views on the accounting treatment and judgements underpinning the financial statements.

The significant issues and accounting judgements considered by the Committee in the year were:

- revenue recognition, specifically the timing of when to recognise revenue, given both the length of contracts and any future contractual obligations
- accounting for contract work in progress, which is linked to the judgements taken around revenue recognition on contracts
- the recoverability of customer retentions, which on certain contracts are held back by the customers until conclusion of the contract to cover any potential contractual disputes around the work completed
- the calculation and disclosure of exceptional and other items, which include exceptional costs that are not expected to recur, accounting for the Group reconstruction and listing, the valuation and completeness of material liabilities, acquisition costs and contract losses on businesses from which the Company is exiting
- the fair value accounting treatment of acquisitions and the consideration of goodwill impairment

The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the accounts.

Other Financial Reporting Matters

Presentation of financial statements

The Audit Committee has reviewed the presentation of the financial statements, in particular the presentation of non-GAAP measures such as underlying EBITA, which is the Group's primary measure of segment reporting. Under the Group's Accounting Policies, underlying EBITA excludes items which would distort the measurement of the ongoing performance of each business segment. These excluded items are amortisation of acquisition intangibles, contract losses on businesses being exited and exceptional items which are one-off in nature. The Committee has concluded that this presentation is appropriate.

External Auditors

A principal duty of the Audit Committee is to make recommendations to the Board in relation to the appointment of the external auditor. Deloitte were first appointed as auditor to Lakehouse Holdings Limited in 2014 and subsequently to Lakehouse plc on its listing in March 2015. Deloitte are subject to annual reappointment by shareholders.

The Audit Committee are very aware the effectiveness and independence of the external auditor is central to ensuring the integrity of the Group's published financial information. Prior to the commencement of the audit, the Audit Committee reviewed and approved the audit plan to ensure it was appropriately focused.

In order to ensure the external auditors' independence, the Committee annually reviews the Company's relationship with its auditors and assesses the level of controls and procedures in place to ensure the required level of independence and that the Company has an objective and professional relationship with Deloitte. The external auditors are required to rotate the audit partner responsible for Group audit every five years. The current audit partner was appointed for the year ended 30 September 2014.

Non-audit services

The Audit Committee has adopted a formal policy governing the engagement of the auditors to provide non-audit services. This policy describes the circumstances in which the auditor may be engaged to undertake non-audit work for the Group. The Committee recognises that the auditors may be best placed to undertake certain non-audit work and engagements for non-audit services that are not prohibited are subject to formal review by the Audit Committee based on the level of fees involved. In the year to 30 September 2015, non-audit fees totalled £1,125,000 and audit fees totalled £286,000. Non-audit fees represented 80% of the total fees paid to the external audit of £1,411,000. Non-audit fees in part reflect the services and advice provided, including as Reporting Accountant, in connection with the IPO. Non-Audit Fees in the year to 30 September 2015 are detailed in the following table:

Nature of service	£'000
IPO-related corporate finance services	£830
Taxation advisory services (corporate tax and indirect tax)	£226
Audit-related assurance services (including interim profits verification)	£29
Tax compliance and advice	£40
Total non-audit services	£1,125

Risk Management and Internal Controls

The Audit Committee is responsible for monitoring the financial reporting process and for reviewing the effectiveness of the Group's system of internal controls. The system of internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and we can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a clear organisational structure with defined authority levels. The day to day running of the Group's business is delegated to the Executive Directors of the Group, who meet with both operational and finance management in each business area on a monthly basis. Key financial and operational measurements are reported on a monthly basis and are measured against both budget and re-forecasts.

The Group maintains a Group risk register and risk registers for each business within the Group which outline the key risks faced by the Group, including their impact and likelihood and relevant mitigation controls and actions. The Group and business risk registers are reviewed and updated by management on a quarterly basis, to ensure the key strategic, operational, financial and accounting risks are captured and prioritised and to identify the risk management activities for each risk. The risk registers for each business area are used to update the Group risk register and a summary of the key risks are presented to the Audit Committee semi-annually.

The risks and uncertainties which are judged currently to have the most significant impact on the Group's long term performance and prospects are set out on pages 30 to 33.

Internal Audit

Internal audit plays an important role in assessing the effectiveness of internal controls by a programme of reviews of key business risks across the Group. RSM acts as Internal Auditor to the Company. Internal audit are in regular dialogue with the Chief Financial Officer and Group Financial Controller. Where control deficiencies are noted, the Internal Auditor will perform follow-up reviews.

During the year the Audit Committee approved a three year internal audit strategy for 2015-2017 and meets regularly with RSM to review and progress the Group's internal audit plan and will continue to monitor the effectiveness of internal audit plans in accordance with the Group's ongoing requirements.

Anti-Bribery and Whistleblowing

Lakehouse has adopted an anti-bribery and corruption policy to comply with the Bribery Act 2010 and it periodically reviews its procedures to ensure continued compliance in its businesses.

The Group's whistleblowing policy provides the framework to encourage all employees and its contractors and agency staff to raise concerns with designated individuals, including the Group Company Secretary and Group HR Director. The Audit Committee monitors this policy and reviews annually the number of matters reported and the outcome of any investigations.

The Audit Committee will periodically review the Group's policies and procedures for preventing and detecting fraud, its systems, controls and policies for preventing bribery and the corporate code of conduct.

I look forward to meeting with shareholders at the AGM.

Johnathan Ford
Audit Committee Chairman
9 December 2015

Directors' Remuneration Report

Annual statement by the Chair of the Remuneration Committee

Jill Ainscough
Chair of the Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Lakehouse Remuneration Report for the year to 30 September 2015, having been appointed as Chair of the Remuneration Committee with the Company's Admission and Listing to the London Stock Exchange on 23 March 2015.

The Directors' Remuneration Policy Report on pages 58 to 63 sets out the Company's remuneration policy for Directors. This policy is subject to a binding shareholder vote at the Company's Annual General Meeting. If approved by shareholders the policy as outlined in the Policy Report will come into effect on the date of the Annual General Meeting. It is expected to remain unchanged for a period of three years. During this time, if there is any change to the remuneration policy, the new policy will be submitted to shareholders for approval and we will seek to consult with leading shareholders and shareholder bodies on the changes prior to submission.

The Annual Report on Remuneration on pages 64 to 68 sets out the payments and awards made to the Directors, it details the link between the Company's performance and remuneration for the year and sets out how we intend to implement the policy for the year ending 30 September 2016. The Annual Report on Remuneration, together with this letter, is subject to an advisory shareholder vote at the AGM.

Objectives of the remuneration policy

The Remuneration Committee's objective is to ensure remuneration encourages, reinforces and rewards the growth of shareholder value and promotes the long term success of the Company. The Directors' Remuneration Policy for Executive Directors is designed to support the business needs of the Company, to ensure it has the ability to attract, motivate and retain senior leaders of a high calibre, remains competitive and provides appropriate incentive for performance. The Committee has agreed that Executive Directors' remuneration should also:

- align executives with the best interests of the Company's shareholders and other relevant stakeholders through a significant weighting on performance-related pay
- be consistent with regulatory and corporate governance requirements
- be straightforward and transparent and support the delivery of strategic objectives
- be consistent with the Group's risk policies and systems to guard against inappropriate risk taking

Focus on performance

In anticipation of Admission, the Company commissioned a review of the remuneration policy. The objective of the review was to ensure that our remuneration structures for Directors and other senior employees would be fit for purpose as a listed company whilst also retaining certain key features, such as simplicity and transparency. As a result of the review, salaries were increased towards market levels and a Performance Share Plan was introduced. The following elements were set out in the Company's Listing Prospectus; they support the Committee's objectives as set out above and will form part of the Company's policy:

- **Base salary –** set at a level so as to attract and retain executives and at a level which reflects an individual's experience, role, competency and performance
- **Pension –** to provide a market competitive contribution towards post-retirement benefits
- **Annual bonus plan –** annual incentives payable for the achievement of targets linked to our growth strategy. Half of any bonus is deferred in shares under the Deferred Share Bonus Plan. The deferral of a proportion of bonus awards has been extended to the senior layer of management, alongside the Executive Directors
- **Performance Share Plan –** Executive Directors will receive annual awards of share options under the Performance Share Plan, the first of which was awarded in March 2015. Vesting of these shares is subject to achieving challenging performance conditions measured over a three year period
- **Recovery and Withholding provisions –** these are in place in the annual bonus plan (for the 2015/16 financial year) and Performance Share Plan to safeguard shareholders' interests in the event of an overpayment
- **Shareholding guidelines –** a requirement for Executive Directors to build up and retain a significant holding of Lakehouse shares has been introduced

Details of these key elements of remuneration policy are contained in the Policy Report.

The context for decisions on remuneration
The rigorous process for an Initial Public Offering has prepared the Company well for the demands of being a listed company. To reward his commitment and contribution in the period up to Admission, Jeremy Simpson was awarded a cash bonus of £220,000. This one-off bonus was in recognition of Jeremy's significant work undertaken before coming to market and does not form part of the Company's remuneration policy as a listed company, which if approved, will take effect from the date of the AGM. In addition, prior to IPO, Sean Birrane and Jeremy Simpson received performance-related cash bonuses of £25,000 each.

Lakehouse remains well placed to continue to grow the business based on a mixture of organic growth and strategic acquisition. It is against this background that the Remuneration Committee approved a Performance Share Plan award in 2014/15 under existing remuneration arrangements to the Executive Directors. These awards vest after three years subject to continued employment and achievement against challenging performance criteria, with two-thirds based on EPS growth targets and one-third on relative Total Shareholder Return (TSR) performance against a group of other listed peers.

Employee share ownership
Lakehouse is committed to encouraging share ownership amongst employees to enable them to share in the success of the business. To this end, at the time of the Listing all employees were awarded an allocation of shares in the Company under the Share Incentive Plan (SIP). During the year the Company has also approved the introduction of an all employee Sharesave (SAYE) plan.

Application of policy in 2015/16
Reflecting the increases in salaries applied at the time of Admission, the Committee decided that there would be no increases in the Base Salary awarded to Executive Directors for the year from 1 October 2015.

All Executive Directors will participate in the Company's discretionary bonus scheme in 2015/16. The maximum potential bonus which may be awarded to an Executive Director is capped at 100% of his Base Salary and any bonus award is discretionary and conditional upon the achievement of profit and individual performance measures set by the Remuneration Committee at the start of the year.

In 2015/16, it is expected that Executive Directors will receive a second award under the Performance Share Plan (PSP) at a value of 100% of salary. These PSP awards will vest after three years depending performance against EPS growth targets and relative TSR performance.

Full details of how the Policy will be applied in 2015/16 are set out in the Annual Report on Remuneration.

Shareholder engagement
We are committed to active engagement with our shareholders. As part of the preparation for our IPO we ensured that major shareholders were kept informed in respect of remuneration and that remuneration was clearly disclosed to shareholders in the IPO prospectus. We have also recently sought feedback from our major shareholders in advance of the publication of the Remuneration Policy Report, to explain our approach to addressing the remuneration of Executive Directors and the AGM resolution.

I hope you find the information in this report helpful and I look forward to your support at the forthcoming AGM. I am always pleased to hear from the Company's shareholders and you can contact me directly or via the Company Secretary, Simon Howell, if you have any questions on this report or more generally in relation to the Company's remuneration.

Jill Ainscough
Chair of the Remuneration Committee
9 December 2015

Directors' Remuneration Report
continued
Directors' Remuneration Policy Report

This part of the Directors' Remuneration Report sets out the Remuneration Policy of the Company. The Remuneration Policy will be put to a binding shareholder vote at the 2016 Annual General Meeting and will take immediate effect once approved. It is currently proposed that the Policy will apply for a three year period following approval.

Objectives of the Remuneration Policy

The Remuneration Committee's objective is to ensure remuneration encourages, reinforces and rewards the growth of shareholder value and promotes the long term success of the Company. The Directors' Remuneration Policy for Executive Directors is designed to support the business needs of the Company, to ensure it has the ability to attract, motivate and retain senior leaders of a high calibre, remains competitive and provides appropriate incentive for performance. The Committee has agreed that Executive Directors' remuneration should also:

- align executives with the best interests of the Company's shareholders and other relevant stakeholders through a significant weighting on performance-related pay
- be consistent with regulatory and corporate governance requirements
- be straightforward and transparent and support the delivery of strategic objectives
- be consistent with the Group's risk policies and systems to guard against inappropriate risk taking

The table below and accompanying notes summarises the key elements of the Directors' Remuneration Policy (the 'Policy').

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base Salary			
A competitive base salary is essential to recruit and retain Executives. Reflects an individual's experience, role, competency and performance.	Salaries are paid monthly. They are normally reviewed annually and fixed for 12 months commencing 1 October. Decisions on changes to salaries are influenced by a variety of factors including: – the commercial need to do so – the role, experience, responsibility and performance (of both the individual and Company) – increases applied to the broader workforce – periodic benchmarking of similar roles in broadly similar UK listed companies and companies of a similar size	The general policy is to pay around mid-market levels with annual increases typically in line with the wider workforce. There is no obligation on the Company to award an annual salary increase and any base salary increases awarded will be at the Company's discretion. Increases beyond those granted to the workforce may be awarded in certain circumstances, such as where there is a change in the individual's responsibility or where the salary set at initial appointment was below the level expected once the individual gains further experience. An above market positioning may be appropriate in exceptional circumstances to reflect the criticality of the role and experience and performance of the individual. Proposed salaries for FY15/16 are outlined on page 67.	No formal metrics apply although individual and Company performance is taken into account when determining any annual increase.
Benefits			
The Company offers competitive and cost-effective benefits to help recruit and retain Executives. Certain benefits such as medical cover are provided to minimise disruption to the day to day operation of the business.	Benefits include but are not limited to the provision of company car (or cash allowance in lieu), fuel, life assurance and family private medical cover. Relocation or other related expenses may be offered, as required. Executive Directors may participate in the all-employee HMRC-approved Sharesave (SAYE scheme), Share Incentive Plan (SIP) and Company Share Option Scheme (CSOP) plans.	The cost of providing market competitive benefits may vary from year to year depending on the cost to the Company from third-party providers. Participation in HMRC-approved plans will be subject to the individual limits as prescribed by HMRC at the time of grant.	No performance metrics apply.
Retirement Benefits			
To provide a market-competitive, cost-effective contribution towards post-retirement benefits.	The Company will provide a contribution to a personal or company-operated defined contribution pension plan or a cash allowance in lieu of pension.	The Company's contribution to defined contribution plans or salary supplement in lieu of pension may be made up to the value of 15% of salary.	No performance metrics apply.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Annual Bonus			
To motivate executives and incentivise the achievement of annual financial and/or strategic targets. Bonus deferral in shares provides a retention element and extra alignment with shareholders.	Bonus payments are determined by the Committee after the year end, based on performance against the targets set. Targets are reviewed annually at the start of the financial year. Half of any bonus is payable in cash and the other half is deferred into shares for three years under the Deferred Share Bonus Plan. Deferred Share Bonus Plan awards are not subject to any further performance criteria. Bonus payments in respect of the financial year 2015/16 onwards and Deferred Share Bonus Plan awards granted from 2015/16 can be clawed back or reduced if the Committee determines within three years of the payment or grant date that there has been a material misstatement of financial results, a miscalculation in the grant or assessment of performance conditions or where serious misconduct has been discovered. An additional payment (in the form of cash or shares) may be made in respect of shares that vest to reflect the value of dividends that would have been paid on those shares during the vesting period.	The maximum opportunity under the annual bonus scheme is 100% of salary.	The bonus may be based on the achievement of an appropriate mix of challenging financial, strategic or individual targets. Financial measures which will typically account for the majority of the bonus opportunity may include measures such as (Group or business unit) profit or cash flow taking into account the strategic objectives of the business from time to time. For financial metrics, a range of targets is set by the Committee, taking into account factors such as the business outlook for the year. The level of payment for achieving threshold performance may vary depending on the financial measure chosen, with pay-outs from zero per cent. Full vesting requires outperformance of objectives. Individual measures may include Health & Safety performance, Order Book and strategic initiatives or any other appropriate objective aligned with the key short term priorities of the Group. Where possible a performance range will be set although this will depend on the measure chosen. The detail of the measures, targets and weightings may be varied by the Committee year on year based on the Company's strategic goals[1]. The specific performance metrics to be used are commercially sensitive and disclosure of actual performance metrics will be made retrospectively (year on year) when bonuses are awarded.
Performance Share Plan			
The PSP incentivises the Executive Directors and selected employees to achieve demanding financial and superior long term shareholder returns. Retains key Executives over the medium term. Aligns the interests of the Executives and shareholders through the requirement to build up a substantial shareholding.	Awards are granted annually in the form of either nominal or nil-cost options under the Performance Share Plan and vest after three years. Stretching performance conditions measured over a period of three years determine the extent to which awards vest. Quantum is reviewed annually (subject to the PSP individual limit) taking into account matters such as market practice, overall remuneration, the performance of the Company and the Executive being made the award. Vested awards may be clawed back and subsisting awards may be reduced if within three years of vesting there has been a material misstatement of financial results, a miscalculation in the grant or assessment of performance conditions or where serious misconduct has been discovered. Dividends payable during the vesting period may accrue on vested shares.	The maximum annual award under the PSP that may be granted to an individual in any financial year is 150% of salary.	The exercise of awards is conditional upon the achievement of one or more challenging performance targets set by the Remuneration Committee at the time of grant and measured over a three year period. Measures may include: – The Company's total shareholder return (TSR) performance over a three year performance period compared to a comparator group determined at grant. For a ranking below median, none of this part of the award will vest; for a median ranking, 25% vests; and 100% vesting for upper quartile performance or better. For performance between median and upper quartile, the award vests on a straight line basis. For this part of the award, no vesting can occur unless the Committee considers that the underlying financial performance of the Company has been satisfactory – A sliding scale of earnings per share (EPS) growth targets. None of this part of the award shall vest if growth is below a threshold level of growth; 25% vests for achieving the threshold level; and full vesting for achieving the maximum performance target or better. For performance between these points, vesting is on a straight line basis In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long term business plan and external expectations while remaining motivational for management. TSR and EPS or financial metric performance periods will usually commence from the start of the financial year in which the award is made. The Committee retains the flexibility to vary the mix of metrics for each year's award in light of the business priorities at the time. The Committee may introduce other measures either to support or in place of TSR and EPS which support the long term business strategy[2].

Directors' Remuneration Report
continued

Directors' Remuneration Policy Report
continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Non-Executive Directors' fees			
To attract and retain high-quality and experienced Non-Executive Directors.	The fees of the Non-Executive Directors are determined by a Sub-Committee of the Board comprising the Executive Chairman and other Executive Directors. Fees are reviewed periodically. Non-Executive Directors receive a fee for carrying out their duties, together with additional fees for those who chair the primary Board Committees and the Senior Independent Director. The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK listed companies and companies of a similar size. Non-Executive Directors do not participate in any incentive arrangements and they do not receive a pension contribution. Non-Executives do not receive any benefits but they may be reimbursed for the grossed-up cost of travel, overnight accommodation or other reasonable expenses incurred in carrying out their duties which are deemed taxable by HMRC.	Details of current fees are set out in the Annual Report on Remuneration on page 67. The Company's Articles of Association set an aggregate fee level of £500,000 per annum.	No performance metrics apply.
Share ownership policy			
To align interests of management and shareholders and promote a long term approach to performance and risk management.	Executive Directors are expected to build up a shareholding in the Company equal to at least 200% of salary. Only shares owned outright by Executive Directors (or connected persons) are included in the guideline. The Committee will review progress annually with an expectation that Executive Directors will make progress towards the achievement of the shareholding policy guideline each year. At its discretion and where appropriate the Committee may permit the sale of shares by an Executive Director with a shareholding in the Company of less than 200% of salary.	Not applicable.	No performance metrics apply.

Notes to the Policy Table:

1. **Annual bonus performance metrics**
   The annual bonus measures are reviewed annually and reflect the key financial, strategic and operational priorities of the Group. Stretching financial targets are set by the Committee by taking account of the Company's business plan and external expectations for the next 12 months.

2. **Performance Share Plan metrics**
   Relative TSR provides a measure of the long term success of the Company relative to appropriate peer comparators. EPS growth is a measure of the overall profitability of the business for investors over the long term and therefore helps align the interests of management with shareholders. If the Committee decides to choose alternative measures, they will be selected to ensure that they incentivise Executive Directors to deliver long term sustainable returns for our shareholders.

Incentive plan discretions

The Committee will operate the annual bonus plan, the Deferred Share Bonus Plan, the Performance Share Plan and the HMRC approved share schemes according to their respective rules (which were summarised for shareholders in the Company's IPO Prospectus) and the policy set out above. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include, but are not limited to, the following:

- Who participates in the plan
- The timing of grant and/or payment
- The size of an award and/or a payment
- The choice of performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan (including, for example, the treatment of delisted companies for the purpose of the TSR comparator group and any adjustments required to EPS to make it a fairer measure of performance)
- The ability to vary any performance conditions if circumstances occur which cause the Remuneration Committee to determine that the original conditions have ceased to be appropriate provided that any change is fair and reasonable and in the Committee's opinion, not materially less difficult to satisfy than the original condition
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

For the avoidance of doubt, any remuneration or for loss of office payments that are not in line with this policy may be made if the terms were agreed before the approval of this policy. In addition, authority is given to the Company to honour any commitments entered into at a time when the relevant employee was not a Director of the Company.

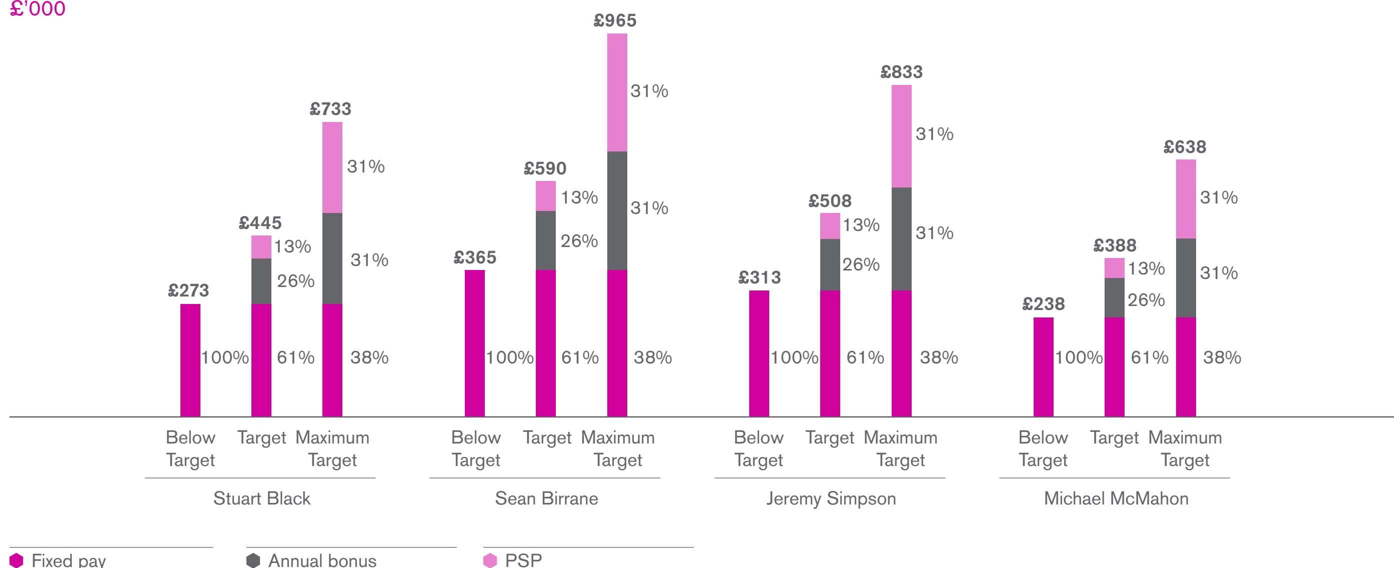
Illustrations of application of remuneration policy

The Lakehouse remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of short term and long term goals that are aligned with the Company's key strategic objectives and the creation of sustainable returns to shareholders.

The Committee has considered the potential amount payable to Executive Directors in different performance scenarios and is comfortable that the amounts payable are appropriate in the context of the performance delivered and the value added for shareholders.

The charts below provide an indication of the level of remuneration that would be receivable by our Executive Directors under three performance scenarios

£'000



Notes:

1. **Below threshold**
   – Fixed pay only – calculated as 2016 base salaries plus 15% pension contribution plus the actual 2014/15 value of benefits (annualised for a full year)

2. **Target**
   – Fixed pay as above
   – Bonus based on half of the 100% of salary bonus opportunity (ie 50% of salary)
   – PSP based on threshold vesting (ie 25% of opportunity)

3. **Maximum**
   – Fixed pay as above
   – Bonus based maximum 100% of salary opportunity
   – PSP based on maximum vesting (ie 100% of salary)

Any share price increase and the value of participation in all employee share schemes have not been factored into the calculations.

Directors' Remuneration Report
continued

Directors' Remuneration Policy Report
continued

Approach to Recruitment Remuneration

The section below sets out the Remuneration Committee's approach to the recruitment remuneration of Executive Directors.

In setting the remuneration for a new Executive Director, the Remuneration Committee will take into account the calibre of the individual, market data and the remuneration arrangements for current Directors. The remuneration package for a new Director will be set in accordance with the Company's approved policy as set out in the Remuneration Policy Table on pages 58 to 60.

Fixed pay

Salary levels for Executive Directors will be set in accordance with the Company's policy, taking into account the experience and calibre of the individual and his or her existing remuneration package. Where it is appropriate to offer a lower salary initially (for either an internal or external recruit), a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in line with those offered to other executive directors, with relocation or other expenses provided for if necessary.

Variable pay

The structure of variable pay – the annual bonus and PSP participation – will be in accordance with the Company's approved policy detailed above. The maximum opportunities are 100% of salary bonus and performance shares with a face value of 150% of salary. Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that he or she joined the Board.

Buy-out awards

In the case of an external hire, if it is necessary to buy-out incentive pay or benefit arrangements which would be forfeited on leaving the previous employer, this would be provided for taking into account the form (cash or shares), timing and expected value (ie likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The principle will be that any replacement awards will be of broadly comparable value to what the executive has left behind. Replacement share awards, if used, may be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the LSE Listing Rules (9.4.2).

In the case of an internal hire/promotion, any legacy variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant. Similarly, if an Executive Director is appointed following a merger or acquisition of another company, any legacy pay arrangements may be honoured.

Fees for Non-Executive Directors will be set in line with the approved policy.

Service contracts and letters of appointment

The table below summarises the service contracts of the Executive Directors and Non-Executive Directors.

Name	Date of contract/ letter of appointment	Notice period by Company	Notice period by Director
Executive Director			
Stuart Black	28 January 2015	12 months	6 months
Sean Birrane	28 January 2015	12 months	6 months
Michael McMahon	17 February 2015	12 months	6 months
Jeremy Simpson	17 February 2015	12 months	6 months
Non-Executive Director			
Chris Geoghegan	17 February 2015	1 month	1 month
Jill Ainscough	17 February 2015	1 month	1 month
Johnathan Ford	17 February 2015	1 month	1 month

The section below sets out the Remuneration Committee's approach to service contracts and policy on termination payments.

Executive Directors

Under the Executive Directors' service contracts and in line with the policy for new appointments, 12 months' notice of termination of employment is required by the Company and six months by the Executive Director.

The Company may terminate an Executive Directors' employment by paying an amount in lieu of notice (PILON) equal to base salary, employer pension contributions and the cost of benefits for the unexpired period of notice. Reasonable costs of legal expenses incurred by the Director may be reimbursed by the Company by making direct payment to the professional adviser.

The payment at the Company's discretion may be paid in two equal instalments, the first within 28 days of written notice and the second after six months. If the payment is paid in two tranches, the second payment may at the discretion of the Company be reduced by the amount the executive has earned or is expected to receive in the 12 months following termination. In the case of the Executive Chairman who works three days per week, only replacement earnings from his employment with the Company are set off against PILON instalments and not any other income that he may have received in any event.

Service agreements will be terminable with immediate effect without notice in certain circumstances, including where the Executive Director commits any material or continued breach of the service agreement or in the case of gross misconduct.

Treatment of incentives
There is no entitlement to cash bonus paid (or associated deferred shares) following notice of termination by either the employee or Company on cessation of employment and 'bad leavers' will not receive any bonus in such circumstances. However, where the individual is considered a 'good leaver' (in the event of death, injury, ill health, or disability, or retirement with the agreement of his employer, or sale of employing company or business out of the Group or for any other reason at the discretion of the Committee), the Company's normal policy is that a performance-related bonus will be payable at the normal time on the proportion of the bonus year for which the individual was employed. Any bonus earned in the year of cessation shall be paid in cash.

Any outstanding share awards held by a departing Director will be treated in accordance with the relevant plan rules. The default treatment under the Deferred Share Bonus Plan and Performance Share Plan is that any outstanding awards will lapse on cessation of employment.

However, in certain prescribed 'good leaver' circumstances (as set out earlier) and in any other circumstances at the discretion of the Committee:

- Deferred share bonus plan awards will become exercisable at cessation or such later date (up to the original vesting date). Awards will be pro-rated for time unless, at the Committee's discretion, it decides to pro rate to a lesser extent or not at all
- PSP awards will continue to be held post cessation and will vest at the normal vesting date unless the Committee determines that they may vest earlier, from the date of cessation. In either case, the number of awards capable of being exercised will be determined by reference to the satisfaction of performance criteria and reduced pro rata for time (unless the Committee determines that pro-rating should apply to a lesser extent or not at all)

Non-Executive Directors
All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. Appointments are terminable by either party on one month's written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

All Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office at 1 King George Close, Romford, Essex RM7 7LS.

Remuneration in the wider Group

Throughout the Group, base salary and benefit levels are set taking into account prevailing market conditions. Differences between Executive Director Pay policy and other employee terms reflect the seniority of the individuals, and the nature of responsibilities. The key difference in policy is that for Executive Directors a greater proportion of total remuneration is based on performance-related incentives. The Committee has oversight of incentive plans operated throughout the Group. The long term incentive arrangements for the senior management immediately below Board level align with the long term interests of the business and where appropriate objectives may be tailored to individual business areas.

When setting the policy for the remuneration of the Executive Directors, the Committee has regard to the pay and employment conditions of employees within the Group. However, the Committee does not use comparison metrics or consult directly with employees when formulating the remuneration policy for Executive Directors. The Committee reviews salary increases and pay conditions within the business as a whole, to provide context for decisions in respect of Executive Directors.

Shareholder engagement

We are committed to active engagement with our shareholders. As part of the preparation for our IPO we ensured that major shareholders were kept informed in respect of remuneration and that remuneration was disclosed to shareholders in the IPO prospectus. We have also recently sought feedback from our major shareholders in advance of the publication of the Remuneration Policy Report, to explain our approach to addressing the remuneration of Executive Directors and the AGM resolution. The Committee will consult with leading shareholders prior to any material change in the way we operate our policy or when a new policy is being proposed.

Annual Report on Remuneration

This section of the Remuneration Report sets out details of the remuneration the Executive and Non-Executive Directors received during the financial year ended 30 September 2015 and details of how we intend to implement the Remuneration Policy in the forthcoming year. The Annual Report on Remuneration will, together with the annual statement of the Chair of the Remuneration Committee on pages 56 to 57, be proposed for an advisory vote by shareholders at the forthcoming Annual General Meeting to be held on 5 February 2016. Where required, data has been audited by Deloitte LLP and this is indicated where appropriate.

Single total figures of remuneration (audited)

Executive Directors

The table below sets out the total remuneration for the Executive Directors for the year ended 30 September 2015 and the prior year.

	Salary		Benefits[1]		Pensions[2]		Annual Bonus[3]		Long Term Incentive[4]		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Stuart Black[5]	**250**	198	**8**	nil	**17**	nil	**nil**	nil	**n/a**	n/a	**275**	198
Sean Birrane	**246**	175	**20**	14	**25**	9	**25**	nil	**n/a**	n/a	**315**	198
Michael McMahon	**177**	64	**8**	1	**29**	6	**nil**	nil	**n/a**	n/a	**214**	71
Jeremy Simpson	**218**	80	**14**	6	**24**	4	**245**	nil	**n/a**	n/a	**501**	89

Notes:

1. **Benefits:** The benefits consist of a car-related benefit, private health insurance for Director and family and life assurance. Car allowance (or cash alternative) is provided. Life cover is 4x annual salary payable should death in service occur. Private medical insurance is provided to the Executive and his partner and all dependent children up to age 25.
2. **Retirement Benefit:** The amount set out in the table represents the Company contribution to the Director's retirement planning. The Company makes contributions equal to 15% of the Executive's annual basic salary.
3. **Bonus:** Further details are set out below. Sean Birrane and Jeremy Simpson each received a bonus award of £25,000 in December 2014 and in recognition of his commitment and significant contribution in the work undertaken prior to the IPO, Jeremy Simpson was awarded a bonus of £220,000.
4. **Long Term Incentives:** There were no long term incentive awards with performance periods ending in the respective years.
5. Stuart Black is engaged by the Company to act as Executive Chairman for three days a week.

Non-Executive Directors

The table below sets out the total fees for the Non-Executive Directors for the year ended 30 September 2015.

	Fees 2015 £'000	**Total 2015 £'000**	Fees 2014 £'000	Total 2014 £'000
Chris Geoghegan[1]	**25**	**25**	–	–
Jill Ainscough[1]	**25**	**25**	–	–
Johnathan Ford[1]	**25**	**25**	–	–

Note:

1. The Non-Executive Directors' appointments commenced on 17 February 2015.

Annual bonus in respect of 2014/15

An annual bonus plan operated for the financial year to 30 September 2015 and was based on a sliding scale of PBT targets. Despite a 114% increase in underlying Profit before Taxation over the prior year, underlying Profit before Taxation of £21,605,000 was below the threshold required to trigger payment. Therefore no bonuses became payable in respect of the 2014/15 financial year.

In December 2014, before the Company listed, Sean Birrane and Jeremy Simpson were each awarded a performance-related bonus of £25,000 and in recognition of his commitment and significant contribution prior to the Company's IPO Jeremy Simpson was awarded a bonus of £220,000. These were one-off bonus payments which were agreed prior to the IPO and do not form part of the Company's ongoing remuneration policy.

Overview Strategic review Performance Governance Financial statements

Long Term Incentive vesting

There were no long term incentive awards capable of vesting in 2014/15. The first PSP award was granted on 23 March 2015 and will vest three years later subject to performance conditions and continued employment. Further details are provided below.

Long Term Incentive awards granted in 2014/15 (audited)

The performance measures and targets for the PSP awards granted in the year ended 30 September 2015 are as follows:

	Basis of award granted	Shares awarded	Face value of award[1]	Percentage vesting for threshold performance	Vesting period
Stuart Black	100% of salary	258,426	£229,999	25%	EPS performance measured over the three years ended 30 September 2017. TSR performance measured over three years commencing on 23 March 2015. Awards will vest to participants on 23 March 2018.
Sean Birrane	100% of salary	337,078	£299,999	25%	
Michael McMahon	100% of salary	224,719	£200,000	25%	
Jeremy Simpson	100% of salary	292,134	£259,999	25%	

Notes:
1. Face value based on a share price of 89p being the share price on the date of grant, 23 March 2015.
2. With the exception of the PSP award granted to Michael McMahon, no consideration is payable in order to exercise the awards set out above. In relation to the award granted to Michael McMahon, an exercise price of 10p per share (being the nominal value of an ordinary share in the capital of the Company) is payable in order to exercise such award. In normal circumstances each award will not be capable of being exercised prior to the vesting date.

The PSP award was granted on 23 March 2015 in the form of nil cost options to Stuart Black, Sean Birrane and Jeremy Simpson and in the form of options with an exercise price of 10p to Michael McMahon and is subject to two performance conditions, relative Total Shareholder Return and EPS growth.

Description	Weighting	Target
Earnings per Share	66.7%	Earnings per Share ('EPS')[1]
Total Shareholder Return	33.3%	Relative Total Shareholder Return ('TSR')[2]

Notes:
1. The EPS measure, which accounts for 66.7% of the award, is based on EPS compound annual growth as measured by comparing EPS relative to growth in the Retail Price Index over a three year performance period to 30 September 2017. None of the award will vest if compound annual growth in EPS is less than the Retail Prices Index in the period plus 4%, 25% will vest for RPI+4% growth and 100% will vest for RPI+12% p.a. growth or better.
2. The TSR Target will measure the Company's total shareholder return performance over a three year Performance Period commencing on the date of Admission ('TSR Performance Period') relative to the constituents of the FTSE All-Share Business Support Services and of the FTSE All-Share Heavy Construction subsectors (excluding any company which is in the FTSE 100 Index) (the 'Comparator Group'). For a ranking below median, none of the element of the award will vest. For a median ranking 25% of this element of the award will vest, rising on a straight line basis to full vesting of this element for a ranking at or above upper quartile.

In addition, SAYE and SIP awards were granted to certain Executive Directors and these are disclosed in the summary of share awards section below.

Other directorships

The Executive Chairman, Stuart Black, is also a director of Sahsof Limited, TCL Group Limited and Playforce Limited.

A summary of PSP, SAYE and SIP share awards granted (audited)

The table below sets out details of the Executive Directors' outstanding option awards under the PSP, SAYE and SIP plans:

Name of Director	Scheme	Number of options at 1 October 2014	Granted during the period	Lapsed during the period	Exercised during the period	Number of options at 30 September 2015	Date from which exercisable	Expiry date
Stuart Black	PSP[1]	–	258,426	–	–	258,426	23 March 2018	23 March 2025
	SIP[3]	–	199	–	–	199		
	Total	–	**258,625**	–	–	**258,625**		
Sean Birrane	PSP[1]	–	337,078	–	–	337,078	23 March 2018	23 March 2025
	SAYE[2]	–	13,212	–	–	13,212	1 August 2018	
	SIP[3]	–	199	–	–	199		
	Total	–	**350,489**	–	–	**350,489**		
Michael McMahon	PSP[1]	–	224,719	–	–	224,719	23 March 2018	23 March 2025
	SIP[3]	–	199	–	–	199		
	Total	–	**224,918**	–	–	**224,918**		
Jeremy Simpson	PSP[1]	–	292,134	–	–	292,134	23 March 2018	23 March 2025
	SAYE[2]	–	13,212	–	–	13,212	1 August 2018	
	SIP[3]	–	199	–	–	199		
	Total	–	**305,545**	–	–	**305,545**		

Notes:
1. With the exception of the PSP award granted to Michael McMahon, no consideration is payable in order to exercise the awards set out above. In relation to the award granted to Michael McMahon, an exercise price of 10p per share (being the nominal value of an ordinary share in the capital of the Company) is payable in order to exercise such award. In normal circumstances each award will not be capable of being exercised prior to the vesting date.
2. On 2 July 2015 Sean Birrane and Jeremy Simpson were granted an option to acquire the number of ordinary shares of the Company set out against their names under the terms of the Lakehouse plc Sharesave (SAYE scheme) at a fixed option price of 81.74p per ordinary share.
3. On 2 April 2015 each of the Executive Directors were granted an award over 199 ordinary shares of the Company under the terms of the Lakehouse plc Share Incentive Plan (SIP). In each case the award was made as an award of free shares by Yorkshire Building Society in its capacity as the trustee of the SIP. In accordance with the rules of the SIP, no consideration was payable for the award of free shares granted to them.

Statement of Directors' shareholding and share interests (audited information)

Executive Directors' interest in shares of the Company (audited)

The table below sets out the Executive Directors' share interests in the ordinary shares of the Company:

	Total number of shares held at 30 September 2015	Interest in share incentive schemes awarded without performance conditions, as at 30 September 2015	Interest in share incentive schemes awarded subject to performance conditions, as at 30 September 2015	Shareholding requirement (% of basis salary)	Current shareholding (% of basic salary)[1]
Stuart Black	5,463,684	199	258,426	200	2,298%
Sean Birrane	4,734,684	199	350,290	200	1,530%
Michael McMahon	7,892,460	199	224,719	200	3,818%
Jeremy Simpson	271,616	199	305,346	200	101%

Notes:
1. As at and based on the share price of 96.75p on 30 September 2015.
2. There were no changes to Executive Directors' interests in the period 30 September 2015 to 9 December 2015.

The Remuneration Committee has approved share ownership guidelines whereby Executive Directors are expected to accumulate and maintain a holding in ordinary shares in the Company equivalent to not less than 200% of salary.

The Executive Directors are subject to lock-up arrangements in respect of their ordinary shares held in the Company for a period expiring 30 days from the date the Company's interim results for the six month period ended 31 March 2016 are published. In addition, for a further period following the expiry of the lock-up arrangement detailed above, Executive Directors are required to comply with an orderly market arrangement with the Company's broker expiring on the day after publication of the Company's pre-close trading statement in connection with publication of the Company's interim results for the six month period ending 31 March 2017.

Non-Executive Directors' interest in shares of the Company

Non-Executive Directors	As at 30 September 2015[1]
Chris Geoghegan	56,179
Jill Ainscough	–
Johnathan Ford	33,707

Note:
1. There were no changes to Non-Executive Directors' interests in the period 30 September 2015 to 9 December 2015.

Implementation of policy in 2015/16

The following section summarises how remuneration arrangements will be operated from 2015/16.

Salary and benefits
Following the year-end, the Committee reviewed the base salaries for Executive Directors as part of the annual salary review process. In light of the increases made upon Admission, the Committee decided not to award an increase to Executive Directors for the year started 1 October 2015. The Company awarded salary increases to its workforce for 2015/16 which were equal in aggregate to an overall salary increase of 2%.

The table below sets out the annual salary of each of the Executive Directors on Admission and the proposed 2015/16 salary for each.

	On Admission	2015/16 salary	(% change)
Stuart Black	£230,000	£230,000	0%
Sean Birrane	£300,000	£300,000	0%
Michael McMahon	£200,000	£200,000	0%
Jeremy Simpson	£260,000	£260,000	0%

Benefits paid to Executive Directors include car allowance, private healthcare and life assurance. Company contributions to the Executive Directors' retirement benefits remain at 15% of salary.

Annual bonus
The maximum opportunity for the Executive Directors will be 100% of salary. The performance measures in respect of the 2015/16 bonus will be based on:

Performance targets	Percentage
EBITA targets	80%
Individual objectives	20%

The detail of targets for the forthcoming year is commercially sensitive. However, the Committee will aim to provide appropriate explanation of bonus outcomes following the end of the bonus year. Recovery and withholding provisions apply to the 2015/16 bonus.

PSP
It is intended that Executive Directors will receive PSP awards in 2015/16 with a face value of 100% of base salary. Awards will vest in three years' time subject to performance targets being met and continued employment.

For the 2015/16 awards, 66.7% will be subject to Earnings per Share growth targets and 33.3% subject to a relative TSR condition against Target as set out below:

Earnings per Share ('EPS') Target
The EPS measure, which accounts for 66.7% of the award, is based on EPS compound annual growth as measured by comparing EPS relative to growth in the Retail Price Index over a three year performance period to 30 September 2018. None of the award will vest if compound annual growth in EPS is less than the Retail Prices Index in the period plus 4%, 25% will vest for RPI+4% growth and 100% will vest for RPI+12% p.a. growth or better.

Relative Total Shareholder Return ('TSR') Target
The TSR Target will measure the Company's total shareholder return performance over a three year Performance Period commencing on the date of grant ('TSR Performance Period') relative to the constituents of the FTSE All-Share Business Support Services and of the FTSE All-Share Heavy Construction subsectors (excluding any company which is in the FTSE 100 Index) (the 'Comparator Group'). For a ranking below median, none of the element of the award will vest. For a median ranking 25% of this element of the award will vest, rising on a straight line basis to full vesting of this element for a ranking at or above upper quartile.

Non-Executive Directors

The current fees payable to the Non-Executive Directors are as follows:

Role	Fee
Basic fee for Non-Executive Directors	£40,000
Additional fee for Senior Independent Director	£5,000
Additional fee for chairing of Board Committees	£5,000

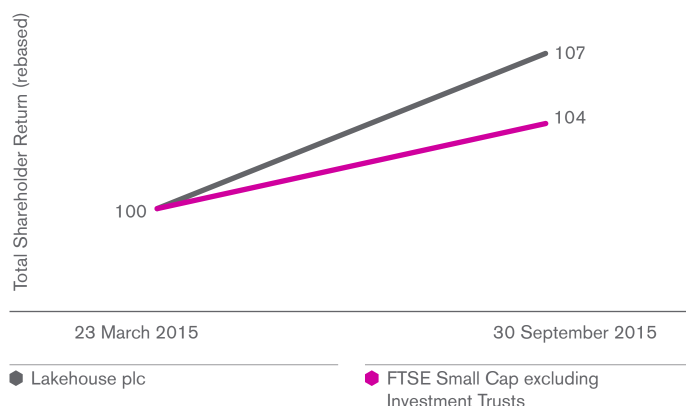
No increase in fees payable to Non-Executive Directors was awarded for 2015/16.

Directors' Remuneration Report
continued

Annual Report on Remuneration
continued

Performance graph and table
The chart below illustrates Lakehouse plc's TSR performance against the FTSE Small Cap index (excluding Investment Trusts). This index was chosen as Lakehouse is a constituent of the index.

Lakehouse plc vs FTSE Small Cap excluding Investment Trusts Total Shareholder Return Index



This graph shows the value, by 30 September 2015, of £100 invested in Lakehouse plc at the start of the day on 23 March 2015, compared with that of £100 invested in the FTSE Small Cap excluding Investment Trusts.

The table below shows the single figure values for the Chief Executive Officer over the last two financial years together with bonus and LTIP vesting percentages. There was no bonus plan in operation in 2013/14 and there have been no PSP awards capable of vesting in either of the years being reported.

For the year ended 30 September	2014	**2015**
Single total figure	£197,651	**£315,343**
Bonus payable %	0%	**0%**
LTIP vesting %	0%	**0%**

Shareholder Dilution
In accordance with the investor guidelines and the rules of the Company's share schemes, the Company can issue a maximum of 10% of its issued share capital in a rolling 10 year period to employees to satisfy vesting under all its share plans. In addition, of this 10% the Company can issue 5% to satisfy awards under discretionary or Executive plans such as the Performance Share Plan. Lakehouse operates all its share plans within these guidelines.

Percentage change in remuneration of the Chief Executive Officer
The table below illustrates the percentage change in salary, benefits and annual bonus for the Chief Executive Officer in 2015/16 as against all other employees

	% change in base salary	% change in benefits	% change annual bonus
Chief Executive Officer	No increase for 2015/16	n/a	n/a
All employees	2%	0%	0%

Note:
The change in base salary for employees represents the average increase implemented as part of the Company's annual pay review in September 2015.

Relative importance of spend on pay
The table below illustrates the year on year change in the total remuneration costs for all employees against the Company's key performance metric of EBITA.

	2015 £m	2014 £m	% change
Total remuneration	**58.24**	41.29	41.1
EBITA	**22.22**	10.81	105.6
Distributions (dividends, share buybacks)	**0**	0	n/a

Role of the Remuneration Committee
The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the remuneration policy of the Group and for reviewing compliance against the Policy. During the year to 30 September 2015, the Remuneration Committee comprised the following Directors: Jill Ainscough (Chair), Johnathan Ford and Chris Geoghegan. The Executive Chairman, Chief Executive Officer and Group HR Director attended parts of the Committee meetings by invitation. The Company Secretary acts as the Committee's secretary. No individual is present when their own remuneration is being determined.

The Terms of Reference of the Audit Committee are available to view at **http://www.lakehouse.co.uk/investors/corporate-governance/board-and-committee-terms-reference.**

During the year New Bridge Street (NBS) were appointed by the Committee as their advisers. NBS received fees of £44,000 for advisory services in connection with the Company's IPO and fees of £10,480 for advice to the Committee on a time and materials basis. NBS is a member of the Remuneration Consultants Group and complies with its Code of Conduct. The Committee is satisfied that the advice it has received has been objective and independent.

Membership of the Remuneration Committee and attendance during the year

Name of member	Date appointed to Committee	Number of meetings attended	Maximum number of meetings the member could have attended	% of possible meetings attended
Jill Ainscough	17 February 2015	3	3	100
Johnathan Ford	17 February 2015	3	3	100
Chris Geoghegan	17 February 2015	3	3	100

Statement of voting on the remuneration report at the AGM
This will be the first year that the Directors' Remuneration Report will be put to shareholders for approval. There will be a binding vote on the remuneration policy and an advisory vote on the rest of the remuneration report. The results of the vote will be disclosed in next year's Annual Report on Remuneration.

Approval
This report was approved by the Board of Directors, on the recommendation of the Remuneration Committee, on 9 December 2015 and signed on its behalf by:

Jill Ainscough
Chair of the Remuneration Committee
9 December 2015

Directors' Report

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 30 September 2015. The Directors' report comprises pages 69 to 70 and the sections of the Annual Report incorporated by reference are set out below, which taken together, contain the information to be included in the Annual Report, where applicable, under Listing Rule 9.8.4.

Board membership	pages 44-45
Dividends	page 69
Directors' long term incentives	page 66
Initial Public offering and share placing	page 101 (note 27)
Corporate governance report	pages 43-55
Future developments of the business of the Group	Our Strategy (pages 22-23)
Employee equality, diversity and involvement	page 70
Post balance sheet events	page 113
Information to the independent auditor	page 70
Subsidiaries	page 96

General information

The Company was incorporated as a public company limited by shares in England and Wales on 28 January 2015 with registered number 9411297. It is domiciled in the UK. The Company is premium listed on the London Stock Exchange. The Company's registered address is 1 King George Close, Romford, Essex RM7 7LS.

Share Capital

Details of the Company's share capital are set out on page 100.

Employee share schemes

Details of the Company's employee share schemes are set out on pages 101-103.

Results and dividends

The results for the year are sent out in the statement of profit or loss on page 77. The Directors recommend a payment of a final dividend of 1.9p per share on 8 February 2016 subject to approval at the Annual General Meeting on 5 February 2016 with a record date of 8 January 2016.

Directors and Directors' interests

The Directors who served the Company during 2015 and at the date of this report are listed on pages 44 to 45 which include brief biographical details. Their remuneration and interests in the share capital of the Company are set out in the Report on Directors' Remuneration on pages 64 to 68.

The following Board changes have occurred during the year:

Stuart Black	Appointed 28 January 2015
Sean Birrane	Appointed 28 January 2015
Jeremy Simpson	Appointed 17 February 2015
Michael McMahon	Appointed 17 February 2015
Chris Geoghegan	Appointed 17 February 2015
Jill Ainscough	Appointed 17 February 2015
Johnathan Ford	Appointed 17 February 2015

The Company has adopted best practice guidelines and the 2014 UK Corporate Governance Code. Executive and Non-Executive Directors will offer themselves for re-election at each Annual General Meeting.

Details of the Directors' service contracts, letters of appointment and interest in the shares of the Company are shown in the Report on Directors' Remuneration on pages 64 to 68.

Substantial interests

As at 7 December 2015, the following interests in 3% or more of the Company's ordinary share capital had been notified to the Company:

	Number of shares	Percentage held (%)
Steven Rawlings	24,409,196	15.50
Nortrust Nominees Limited	8,804,358	5.59
State Street Nominees Limited	8,266,183	5.25
Michael McMahon	7,892,460	5.01
Nortrust Nominees Limited TDS ACCT	6,982,718	4.43
Paul King	5,951,840	3.78
Stuart Black	5,463,684	3.47
BBHISL Nominees Limited	5,337,929	3.39
Vidacos Nominees Limited	5,144,883	3.27
Kennedy Saunders	4,955,836	3.15
Sean Birrane	4,734,684	3.01
Lydia Graham	4,720,950	3.00

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company and the Group.

Directors' and officers' liability insurance cover is in place in respect of all the Company's Directors.

Directors' powers

As set out in the Company's Articles of Association, the business of the Company is managed by the Board who may exercise all powers of the Company.

Directors' Report
continued

Our people

The Group's policy is to consider all job applications on a fair basis free from discrimination in relation to age, sex, race, ethnicity, religion, sexual orientation or disability not related to job performance. Every consideration is given to applications for employment from disabled persons, where the requirement of the job may be adequately covered by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

The Group places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through formal and informal meetings. It is the Group's policy to ensure that all employees are made aware of significant matters affecting the performance of the Group through the operation of employee forums, information bulletins, informal meetings, team briefings, internal newsletters and the Group's website and intranet.

Key performance indicators

Details of the Group's key performance indicators can be found on pages 24 to 25.

Risks and uncertainties

Details of the risks and uncertainties faced by the Group can be found in the Strategic Review on pages 30 to 33.

Financial instruments

An explanation of the Group's treasury policies and existing financial instruments are set out in Note 31 of the financial statements.

Donations

The Group made charitable donations in the year of £52,234. Information on the Group's corporate and social responsibility activities can be found in the corporate and social responsibility review on pages 34 to 37. The Group made no political donations during the year.

Annual General Meeting

A separate notice convening the Annual General Meeting of the Company to be held at the offices of Eversheds LLP, 1 Wood Street, London EC2V 7WS on 5 February 2016 will be sent out with this Annual Report and financial statements.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 43 to 51. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Independent auditors

The auditors, Deloitte LLP, have indicated their willingness under section 489 of the Companies Act 2006 to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

– In so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
– The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By the order of the Board

Simon Howell
Company Secretary
9 December 2015

Directors' responsibilities

The Directors are responsible for preparing the Annual 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 the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 Company and of the profit or loss of the Company for the period.

In preparing the parent Company financial statements, the Directors are required to:
- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:
- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:
- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 9 December 2015 and is signed on its behalf by.

By order of the Board

Sean Birrane
Chief Executive Officer

Jeremy Simpson
Chief Financial Officer

Independent Auditor's Report to the members of Lakehouse plc

Opinion on financial statements of Lakehouse plc

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 30 September 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group and Company Statements of Changes in Equity and the related Notes 1 to 46. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement on page 42 that the Group is a going concern.

We have nothing material to add or draw attention to in relation to:
- the Directors' confirmation on page 42 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 30-33 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- the Director's explanation on page 42 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Long term contract revenue recognition and valuation of contract work in progress	
The Group had total recognised revenue of £340.2m during the year (2014: £302.5m). The Construction division, where the Group predominately operates under long term fixed price contracts had recognised revenue of £77.0m (2014: £78.5m). The Regeneration division, where the Group recognises revenue based on a valuation of the work in progress with reference to a contracted schedule of rates, had recognised revenue of £161.7m (2014: £172.6m). The recognition of revenue on long term contracts and the valuation of contract work in progress requires significant judgement by management. This includes the determination of estimated costs to complete, amount of margin to be recognised and the percentage of completion of the work in progress. Further detail on the Group's revenue recognition policy is set out within the significant accounting policies in Note 2 and the associated key judgements involved are set out in the critical accounting judgements and key sources of estimation uncertainty in Note 3 to the financial statements.	We held discussions with operational and financial management across the Group and reviewed underlying contracts to understand and challenge the nature of the revenue streams and the revenue recognition policies applied. We performed focused testing of underlying long term contracts in the Construction division and underlying contract valuation reports in the Regeneration division. Our work assessing and challenging the key judgements made by management included: – Testing historic forecasting accuracy of estimating contract costs, to provide assurance over estimates made around costs to complete projects; – Agreeing a sample of underlying costs incurred to third-party invoices and quotes; – Discussing and validating the contract valuation report assumptions with operational management and agreeing the valuation amounts through to the third-party customer-approved valuations of the work in progress; and – Agreeing margin recognised to date through to the contract valuation reports, challenging key assumptions used with the internal quantity surveyors, and agreeing future expected cost assumptions through to sub-contractor quotes and project budgets.
Acquisition fair value accounting	
The Group acquired 100% of the issued share capital of H2O Nationwide, Providor, Orchard Energy and Sure Maintenance during the year for a total consideration of £32.3m, including £4.3m of contingent consideration. Details of these acquisitions are provided in the Strategic Review, on pages 26 to 29. The total fair value of the identifiable net assets acquired was £18.4m, of which £15.8m related to management's assessment of the fair value of the separately identifiable intangible assets acquired, excluding goodwill. Total goodwill recognised on these acquisitions was £13.9m. The valuation of the separately identified intangible assets and the contingent consideration required significant judgement and estimation, primarily around the cash flows assumed for the newly acquired businesses, the customer retention rates applied and the discount rate used. Note 2 to the financial statements sets out the Group's accounting policy for business combinations and Note 3 discusses the critical accounting judgements and key sources of uncertainty in respect of the fair valuation of identifiable net assets acquired.	We tested and challenged the fair valuation of the intangible assets and the contingent consideration. This included, but was not limited to: – In conjunction with our valuation specialists, recalculating an appropriate discount rate with reference to market data and comparing that to the rate used by management; – Discussing the underlying business forecasts used with operational management at each business, challenging forecast cash flows and customer retention rates with reference to historical evidence of renewal and current sales to those customers; – Assessing and challenging the overall allocation between goodwill and intangible assets by validating the benefits associated with each acquisition through review of public announcements and discussion with senior management and comparing to the determined allocation to assess whether the nature of the acquisitions supported the quantum of goodwill recognised; – In conjunction with our valuation specialists, assessing and challenging the fair valuation of the contingent consideration in the Providor, Orchard and Sure acquisitions, which involved critically assessing and testing future forecast business performance by agreeing amounts to Board-approved forecasts, underlying contracts and comparing against historic performance; and – Testing the underlying assets and liabilities acquired on a sample basis to assess whether they represented fair value.

Risk	How the scope of our audit responded to the risk
Consideration of goodwill impairment	
At 30 September 2015 the Group had goodwill and intangible assets totalling £83.5m, relating to the eight previous acquisitions made since 2011. Goodwill was assessed for impairment by management using a discounted cash flow model to determine value in use. This involved the use of a number of key assumptions and judgements, including the forecast cash flows for the individual businesses, assumed margin levels post-integration with Lakehouse, a long term growth rate and the discount rate applied. Note 14 to the financial statements outlines the key assumptions relating to the impairment review performed. Note 2 to the financial statements outlines the Group's accounting policy for testing goodwill for impairment on an annual basis and Note 3 to the financial statements outlines the critical accounting judgements and key sources of estimation uncertainty relating to management's review of goodwill, tangible and intangible assets for impairment.	Our procedures for challenging management's methodology and assumptions included: – Validating the integrity of the impairment models via reperformance of the calculations; – Performing sensitivity analysis to identify the assumptions which had the biggest impact on the discounted cash flow model; – Understanding the underlying process used to determine the risk adjusted cash flow projections and challenging them with reference to historical forecasts, actual performance and expected future changes to the business; – Working with our valuation specialists to benchmark the discount rates and perpetuity growth rates applied to external macro-economic and market data; – Reviewing trading, including post period end trading, to verify that it supported the forecast cash flows used in the impairment testing; and – Assessing the appropriateness the disclosures included in the financial statements.
Accounting for the Group reconstruction and subsequent listing	
Immediately prior to its Initial Public Offering ('IPO') the Group underwent a Group reconstruction, with Lakehouse plc being incorporated as the new top company in the Group. As this was enacted by way of a share-for-share exchange with a new company not previously part of the Group, merger accounting was applied and this resulted in the creation of a merger reserve of £20.1m. The nature of this transaction is complex as there were multiple steps involved to first exercise all outstanding share options in the original holding company and then transfer ownership interests to the new company on a like for like basis. As a result of the complexity of the transaction the associated risk of material misstatement is therefore high. See Note 29 where further details of this transaction are provided.	We have reviewed the legal documents and 'steps plan' associated with the reorganisation, as well as holding discussions with the Company's advisers and its Company Secretary, to assess whether it qualified for merger accounting and that the accounting entries recorded by management are appropriate. We have tested management's calculation of the merger reserve and determined our own independent estimate to assess whether the closing position is materially accurate.
Provisions for contract losses	
As outlined on page 40 of the Strategic Review and Note 7 to the financial statements, during the current year the Group has identified £5.4m of further losses to be incurred in closing out contracts in the social housing development business and a legacy contract issue identified in the prior year. The total loss which will have been incurred by the time both of these matters have been closed out is now expected to be £10.5m. At 30 September 2015 costs still to be incurred total £4.8m. Significant judgement has been applied by management in determining the extent of the losses to be incurred and the expected costs to come in closing out these contracts.	We held discussions with operational management responsible for managing these contracts as well as divisional management, Group management and the Board of Directors in understanding and challenging the key judgements and estimations in the provisions recognised. We performed focused testing of each provision calculation. Our work assessing and challenging the key judgements made by management included: – Testing historic forecasting accuracy of estimating associated costs, to provide assurance over estimates made around costs to complete; – Discussing and challenging cost estimations with the quantity surveyors by comparing to costs incurred to date and assessing the key judgements in their determination of expected costs to come; – Agreeing amounts to third-party documentation or to internal estimates prepared by the quantity surveyors; – Agreeing revenue valuations for the social housing development contracts to the third-party customer-approved valuations of the work completed.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 53 to 55.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1,000,000. This was determined based on a review of a number of the Group's financial metrics, including a number of its profit metrics and a consideration of its net assets. The determined level of materiality represents approximately 7% of normalised profit before tax ('PBT') and 1.2% of net assets. Normalised PBT excludes the impact of the exceptional costs and the losses in the social housing development business, which have been excluded to reflect the underlying trading performance of the Group.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

In the current year the legacy entities in the Group were deemed to be the significant components of the Group and were subject to a full scope audit through work performed either by the Group team or other Deloitte UK component audit teams. This accounted for 96.4% of the Group's total revenue, 91.1% of its normalised PBT and 91.6% of its net assets.

For the newly acquired entities Group level analytical review work was performed along with substantive testing of the opening balance sheets and acquisition fair value adjustments. These entities accounted for 3.6% of the Group's total revenue, 8.9% of its normalised PBT and 8.4% of its net assets.

Audit and analytical review work on these entities was performed at lower levels of materiality determined by reference to the relative scale of the entity concerned. These component materiality levels were between £400,000 and £700,000.

All entities are based in the UK and all significant components were subject to a visit by a senior member of the audit team in the current year.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Independent Auditor's Report to the members of Lakehouse plc
continued

Matters on which we are required to report by exception (continued)	Corporate Governance Statement Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review. Our duty to read other information in the Annual Report Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
Respective responsibilities of Directors and auditor	As explained more fully in the Directors' Responsibilities Statement, 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. 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.
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 Annual 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.

Paul Schofield, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
9 December 2015

Consolidated statement of comprehensive income

For the year ended 30 September 2015

	Notes	Underlying results[1] 2015 £'000	Exceptional and other items[1] 2015 £'000	2015 £'000	Underlying results[1] 2014 £'000	Exceptional and other items[1] 2014 £'000	2014 £'000
Revenue	4	**336,633**	**3,565**	**340,198**	302,488	–	302,488
Cost of sales		**(290,671)**	**(6,089)**	**(296,760)**	(271,639)	–	(271,639)
Gross profit		**45,962**	**(2,524)**	**43,438**	30,849	–	30,849
Other operating expenses		**(23,738)**	**–**	**(23,738)**	(20,040)	–	(20,040)
Share of results of joint venture		**–**	**–**	**–**	–	–	–
Operating profit before exceptional and other items		**22,224**	**(2,524)**	**19,700**	10,809	–	10,809
Exceptional items	7	**–**	**(8,656)**	**(8,656)**	–	(4,405)	(4,405)
Amortisation of acquisition intangibles	7	**–**	**(6,465)**	**(6,465)**	–	(5,101)	(5,101)
Operating profit	4	**22,224**	**(17,645)**	**4,579**	10,809	(9,506)	1,303
Finance expense	8	**(639)**	**(758)**	**(1,397)**	(902)	(478)	(1,380)
Investment income	8	**20**	**–**	**20**	181	–	181
Profit before tax	4,5	**21,605**	**(18,403)**	**3,202**	10,088	(9,984)	104
Taxation	11	**(4,116)**	**3,300**	**(816)**	(1,296)	811	(485)
Profit/(loss) for the year attributable to the equity holders of the Group		**17,489**	**(15,103)**	**2,386**	8,792	(9,173)	(381)
Earnings/(loss) per share							
Basic	13			**1.9p**			(0.5)p
Diluted	13			**1.7p**			(0.5)p
Underlying earnings per share							
Basic	13	**13.7p**			11.7p		
Diluted	13	**12.3p**			8.3p		

1. Underlying results are stated before exceptional and other items. Exceptional and other items are detailed further in Note 7.

The accompanying notes are an integral part of this consolidated statement of comprehensive income.

Consolidated statement of financial position

At 30 September 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Goodwill	14	**56,267**	42,388
Other intangible assets	15	**27,199**	17,876
Property, plant and equipment	16	**3,126**	1,758
Interests in joint venture		**–**	–
Trade and other receivables	20	**1,131**	1,666
		87,723	63,688
Current assets			
Inventories	18	**4,635**	5,028
Amounts due from customers under construction contracts	19	**2,053**	3,247
Trade and other receivables	20	**77,538**	73,178
Corporation tax receivable		**1,683**	–
Cash and cash equivalents		**6,934**	4,230
		92,843	85,683
Total assets		**180,566**	149,371
Current liabilities			
Amounts due to customers under construction contracts	19	**574**	2,310
Trade and other payables	21	**80,344**	73,033
Loans and borrowings	22	**–**	3,333
Finance lease obligations	26	**403**	165
Provisions	24	**3,279**	–
Income tax payable		**–**	445
		84,600	79,286
Net current assets		**8,243**	6,397
Non-current liabilities			
Trade and other payables	21	**5,013**	4,854
Loans and borrowings	22	**–**	7,878
Finance lease obligations	26	**340**	66
Provisions	24	**3,170**	6,668
Deferred tax liability	25	**1,979**	1,813
		10,502	21,279
Total liabilities		**95,102**	100,565
Net assets		**85,464**	48,806
Equity			
Called up share capital	27	**15,753**	–
Share premium account	29	**25,314**	31,820
Share-based payment reserve	28	**709**	1,068
Own shares	29	**(290)**	–
Merger reserve	29	**20,067**	1
Retained earnings		**23,911**	15,917
Equity attributable to equity holders of the Company		**85,464**	48,806

The financial statements of Lakehouse plc (registered number 09411297) were approved by the Board of Directors and authorised for issue on 9 December 2015. They were signed on its behalf by:

J J C Simpson
Director

The accompanying notes are an integral part of this consolidated statement of financial position.

Consolidated statement of changes in equity

For the year ended 30 September 2015

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Own shares £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2013	–	306	197	–	1	15,130	15,634
Loss for the period	–	–	–	–	–	(381)	(381)
Premiums on shares issued in the year	–	31,514	–	–	–	–	31,514
Created on acquisition of subsidiary	–	–	785	–	–	–	785
Share-based payment charge	–	–	86	–	–	–	86
Deferred tax	–	–	–	–	–	1,168	1,168
At 30 September 2014	–	31,820	1,068	–	1	15,917	48,806
Profit for the period	–	–	–	–	–	2,386	2,386
Conversion of share options	–	628	(1,205)	–	–	1,205	628
Group restructuring	12,382	(32,448)	–	–	20,066	–	–
Issue of share capital	3,371	25,314	–	–	–	–	28,685
Share-based payment charge	–	–	846	–	–	–	846
Purchase of own shares	–	–	–	(290)	–	–	(290)
Current tax – Excess tax deductions related to share-based payments	–	–	–	–	–	2,506	2,506
Deferred tax	–	–	–	–	–	1,897	1,897
At 30 September 2015	**15,753**	**25,314**	**709**	**(290)**	**20,067**	**23,911**	**85,464**

Consolidated statement of cash flows

For the year ended 30 September 2015

	Notes	**2015 £'000**	2014 £'000
Cash flows from operating activities			
Cash generated from operations	33	**19,099**	15,339
Interest paid		**(460)**	(649)
Interest received		**11**	34
Taxation		**(1,903)**	(8,211)
Net cash generated from operating activities		**16,747**	6,513
Cash flows from investing activities			
Purchase of shares in subsidiary, net of cash acquired		**(29,745)**	(15,296)
Purchase of property, plant and equipment		**(1,169)**	(890)
Purchase of intangible assets		**(491)**	(475)
Sale of property and equipment		**328**	120
Disposal of subsidiary business		**40**	80
Net cash used in investing activities		**(31,037)**	(16,461)
Cash flows from financing activities			
Proceeds from issue of shares		**30,000**	2
Proceeds from issue of pre-existing shares		**975**	–
Proceeds from bank borrowings		**–**	16,116
Repayment of bank borrowings		**(11,667)**	(9,861)
Repayments to finance lease creditors		**(237)**	(202)
Purchase of own shares		**(290)**	–
Finance issue costs		**(472)**	(673)
Share issue costs paid		**(1,315)**	–
Net cash generated from financing activities		**16,994**	5,382
Net increase/(decrease) in cash and cash equivalents		**2,704**	(4,566)
Cash and cash equivalents at beginning of year		**4,230**	8,796
Cash and cash equivalents at end of year		**6,934**	4,230

The accompanying notes are an integral part of this consolidated statement of cash flows.

Notes to the consolidated financial statements

For the year ended 30 September 2015

General information

Lakehouse plc (registered number 09411297) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is 1 King George Close, Romford, Essex RM7 7LS.

The consolidated financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

As part of a restructuring accompanying the Initial Public Offering ('IPO') of the Group on 23 March 2015, Lakehouse plc replaced Lakehouse Holdings Limited as the Group's ultimate parent Company by way of a Share exchange agreement. Under IFRS 3 this has been accounted for as a Group reconstruction under merger accounting. These financial statements present results for the Lakehouse Group of companies for the period from 1 October 2014 to 30 September 2015 as if Lakehouse plc had been incorporated on 1 October 2014. On 23 March 2015 Lakehouse plc was listed on the London Stock Exchange.

1. Basis of preparation

Basis of accounting

The Group's consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements except as noted below.

Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except for the following new and revised Standards and Interpretations which have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

- IFRS 10 Consolidated Financial Statements – the standard establishes the principles for the presentation of consolidated accounts when an entity controls one or more other entities
- IFRS 11 Joint Arrangements – the standard determines the type of joint arrangement by assessing the rights and obligations, and accounts for those rights and obligations in accordance with that type of joint arrangement
- IFRS 12 Disclosure of Interests in Other Entities – the standard sets out the requirements to disclose information that enables users of accounts to evaluate the nature of, and risks associated with, its interests in other entities and the effects of these interests on its financial position, financial performance and cash flows
- IFRIC 21 Levies – provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – the amendment to the standard restricts the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognised or reverses. It also expands the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – this amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met

Notes to the consolidated financial statements

For the year ended 30 September 2015
continued

1. Basis of preparation (continued)

New standards and interpretations not applied

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations for annual periods beginning on or after the effective dates as noted below:

IAS/IFRS standards		Effective for accounting periods starting on or after
Amendments to IFRS 10, IFRS 12 and IAS 28 (December 2014)	Investment Entities: Applying the Consolidation Exception	1 January 2016[1]
Amendments to IAS 1 (December 2014)	Disclosure Initiative	1 January 2016[1]
Amendments to IFRS 10 and IAS 28 (September 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016[1]
Amendments to IAS 27 (August 2014)	Equity Method in Separate Financial Statements	1 January 2016[1]
IFRS 9	Financial Instruments	1 January 2018[1]
IFRS 14	Regulatory Deferral Accounts	1 January 2016[1]
IFRS 15	Revenue from Contracts with Customers	1 January 2018[1]
Amendments to IAS 16 and IAS 38 (May 2014)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016[1]
Amendments to IFRS 11 (May 2014)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 41	Bearer Plants	1 January 2016
Amendments to IAS 19 (November 2013)	Defined Benefit Plans: Employee Contributions	1 February 2015

1. The mandatory adoption under EU adopting regulations has not yet been confirmed.

The Directors do not anticipate the adoption of these other standards will have a material impact on the Group's accounts in the period of initial application.

Basis of consolidation

The combined financial information incorporates the assets, liabilities, income and expenses of the Group. The financial information of the subsidiaries are prepared for the same financial reporting period as the Company. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. Intercompany transactions, balances and unrealised gains and losses transitions between Group companies are eliminated on consolidation.

As a consolidated statement of comprehensive income is published, a separate profit and loss account for the parent Company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006.

2. Significant accounting policies

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors regard the foreseeable future as no less than 12 months following publication of its annual financial statements, so in practical terms, 15 months from the balance sheet date. The Directors have considered the Group's working capital forecasts and projections, taking account of reasonably possible changes in trading performance and the current state of its operating market, and are satisfied that the Group should be able to operate within the level of its current facilities and in compliance with the covenants arising from those facilities. Accordingly, they have adopted the going concern basis in preparing the financial information.

Operating segments

The Directors regard the Group's reportable segments of business to be Regeneration, Compliance, Energy Services and Construction. Costs are allocated to the appropriate segment as they arise with central overheads apportioned on a reasonable basis. Operating segments are presented in a manner consistent with internal reporting; with inter segment revenue and expenditure eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired company and the equity interest issued by the Group in exchange for control of the acquired company. Acquisition-related costs are recognised as non-trading exceptional costs in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IAS 39 or IAS 37 as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Acquisition costs

Whilst the Group remains in its growth phase, management believe that acquisition costs are exceptional in nature and classified as such, so as not to distort presentation of the underlying performance of the Group.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful life for each asset type is set out below.

Computer software	– Three years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Intangible assets are recognised if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using suitable valuation techniques.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The estimated useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Contracted customer order book	Remaining period of the contract	Expected cash flows receivable
Customer relationships	5 years	Expected cash flows receivable
Non-compete agreements	5 years	With or without method

De-recognition of intangible assets

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. The gain or loss from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is de-recognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated so as to write off the cost of a tangible asset, less its estimated residual value, over the estimated useful economic life of that asset on the following bases:

Leasehold improvements	– over the period of the lease
Plant and equipment	– 15% to 33% per annum on a straight line basis
Fixtures and fittings	– 20% to 33% per annum on a straight line basis
Motor vehicles	– 25% per annum on a straight line basis

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is de-recognised upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. The gains or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Exceptional items

Items which are significant by their size and nature require separate disclosure and are reported separately in the statement of comprehensive income. Details of exceptional items are explained in Note 7.

Contract losses on businesses being exited

Where a business activity is being exited and, due to legacy issues, losses are incurred in closing out contracts, management consider such losses should be highlighted separately as not related to the ongoing activity of the Group as they would otherwise distort the underlying earnings. Revenue and costs associated with the business activity being exited are presented separately from the underlying results of the Group on the face of the income statement with further details provided in Note 7.

Revenue

Revenue and profit are recognised as follows:

(a) Service contracts

Revenue is recognised when the outcome of a job or contract can be estimated reliably; revenue associated with the transaction is recognised by reference to the stage of completion of work at the balance sheet date. The outcome of the transaction is deemed to be able to be estimated reliably when all of the following conditions are satisfied:

– The amount of revenue can be measured reliably
– It is probable that the economic benefits associated with the transaction will flow to the Group
– The costs incurred for the transaction and the costs to complete the transaction can be measured reliably

The Group has recognised revenue dependent on the nature of transactions in line with IAS 18 ‘Revenue’. There are a range of contractual arrangements that require consideration:

(i) Schedule of Rates (‘SOR’) contracts

SOR contracts are set based on predetermined rates for a list of services and duties required by the customer. The billing arrangements can range from an all-encompassing price for each direct works, including an element of local site overhead, central overhead and associated profit; to the price of the direct works alone, with (where relevant) a separately agreed annual fee for local site and central overheads. The quantum of work performed in each period is captured and valued either against the agreed contract terms or with reference to costs incurred to date as a percentage of total expected costs, and the resulting revenue is recognised.

(ii) Fixed price (or lump sum) service contracts

Certain contracts, in particular for gas servicing and maintenance, are procured on a fixed price basis. Revenue for maintenance/reactive activities is recognised on a straight line basis over the life of the contract. Revenue for servicing activities is recognised when the service is performed; however, when it is impractical for the customer and householder to sign off every job sheet, revenue is recognised on a straight line basis. Where the contract contains servicing and maintenance/reactive elements and the revenue cannot be split reliably between each element of the contract, it is recognised on a basis that most closely reflects the phasing of the servicing provision. Costs are recognised as incurred.

(iii) Formula-based income

When income is subject to formulaic valuation, revenue is recognised either when the valuation has been submitted to, and agreed by, the client; or where there are time constraints with the process for receiving agreement from the client, revenue can be recognised if prior experience shows that agreement will be received within one month of providing a valid submission and invoice.

(b) Construction contracts

Revenue arising from construction contracts is recognised in accordance with IAS 11 'Construction contracts'. When the outcome can be assessed reliably, contract revenue is recognised by reference to the stage of completion of the contract activity at the statement of financial position date. The stage of completion of the contract at the statement of financial position date is assessed with reference to the costs incurred to date as a percentage of the total expected costs.

Margin on contracts is calculated in accordance with accounting standards and industry practice. Industry practice is to assess the estimated final outcome of each contract and recognise the revenue and margin based upon the stage of completion of the contract at the statement of financial position date. The assessment of the final outcome of each contract is determined by regular review of the revenues and costs to complete that contract. Consistent contract review procedures are in place in respect of contract forecasting.

The gross amount receivable from customers for contract work is presented as an asset for all contracts in progress for which costs incurred, plus recognised profits (or less recognised losses), exceed progress billings.

The gross amount repayable to or paid in advance by customers for contract work is presented as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

(c) Other income

(i) Contract variations

Margin associated with contract variations is only recognised when the outcome of the contract negotiations can be reliably estimated. Costs relating to contract variations are recognised as incurred. Revenue is recognised up to the level of the costs which are deemed to be recoverable under the contract.

(ii) Preliminaries income and pre-contract costs

All costs relating to pre-commencement and mobilisation are written off as they are incurred. However, where there is a contracted element within the preliminaries income to cover such costs, revenue and margin can be recognised in line with the contractual terms.

(iii) Energy brokering services

Revenue associated with the provision of energy brokering services is provided in line with our performance obligations to the customer over the term of the energy agreement.

Employee benefits

Retirement benefit costs

The Group contributes to the personal pension plans of certain employees of the Group. The assets of these schemes are held in independently administered funds. The pension cost charged in the financial statements represents the contributions payable by the Group in accordance with IAS 19.

Share-based payments

The Company has issued equity-settled share-based awards and free shares to certain employees. The fair value of share-based awards with non-market performance conditions is determined at the date of the grant using a Black-Scholes model. The fair value of share-based awards with market related performance conditions is determined at the date of grant using the Monte Carlo model. Share-based awards are recognised as expenses based on the Company's estimate of the shares that will eventually vest, on a straight line basis over the vesting period, with a corresponding increase in the share option reserve.

At each balance sheet date the Company revises its estimates of the number of options that are expected to vest based on service and non-market performance conditions. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. Options with market-related performance conditions will vest based on Total Shareholder Return against a selected group of quoted market comparators. Following the initial valuation, no adjustments are made in respect of market-based conditions at the reporting date.

Employee Benefit Trust

The Company established an Employee Benefit Trust upon IPO, whose remit is to hold Lakehouse plc shares on behalf of its employees. The trust is wholly funded by the Group and although legally independent is deemed to be controlled by the Group as the Trust relies on it for funding and the Company is able to remove and appoint the trustees. The assets and liabilities of the Trust are therefore consolidated with those of the Group.

Finance income and costs

Interest receivable and payable on bank balances is credited or charged to the statement of comprehensive income as incurred.

Finance arrangement fees and issue costs are capitalised and netted off against borrowings. Construction borrowing costs are capitalised where the Group constructs qualifying assets. All other borrowing costs are written off to the statement of comprehensive income as incurred.

Notional interest payable, representing the unwinding of the discount on long term liabilities, is charged to finance costs and recognised as an other item on the face of the statement of comprehensive income.

Costs incurred in raising finance

Costs incurred in raising finance are capitalised and amortised through the profit and loss account over the term of the funding as a trading item. In the event that the associated finance product is refinanced prior to its expiring, the unamortised costs are treated as an other item on the face of the statement of comprehensive income, to the extent that they are replaced with fees and costs associated with raising the new finance.

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's asset for current tax is calculated using tax rates prevailing at the year end.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories and work in progress, including land held for and in the course of development, are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and overheads which have been incurred in bringing the inventories and work in progress to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made, where appropriate, to reduce the value of inventory to its net realisable value.

Property in the course of development and completed units are stated at the lower of cost and net realisable value. Direct cost comprises the cost of land, raw materials and development costs but excludes indirect overheads.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that the Group will be required to settle that obligation and the amount can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the time value of money is material).

Contingent liabilities acquired in a business combination are initially valued at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised.

Joint venture

Under IFRS 11 we account for joint ventures under the equity method of accounting. Loans receivable and investments in joint venture entities are reviewed for impairment at each year end.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

(a) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Trade receivables do not carry any interest and are stated at their initial value reduced by appropriate allowances for estimated irrecoverable amounts. Provisions against trade receivables and amounts recoverable on contracts are made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the assets carrying amount and the present value of estimated future cash flows. Individually significant balances are reviewed separately for impairment based on the credit terms agreed with the customer. Other balances are reviewed in aggregate.

(b) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

(c) Investments
Investments in subsidiary undertakings are stated at cost less any provision for impairment. Any contingent consideration is recognised as an accrual at the acquisition date and is measured at the present value of the expected settlement using a pre-tax discount rate that reflects current market assessment of the time value of money. The increase in the accrual due to the passage of time is recognised as a non-trading interest expense. Any change to the value of contingent consideration identified within 12 months of the year end in which the acquisition occurred is reflected in the original cost of the investment. Subsequent changes to the value of contingent consideration are reflected in the statement of comprehensive income.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may have suffered an impairment loss. If any such indication exists, the Company makes an estimate of the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use represents the discounted net present value of expected future cash flows. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount, and an impairment loss is recognised immediately in the statement of comprehensive income of the Company.

(d) Trade and other payables
Trade and other payables are not interest bearing and are stated initially at fair value and subsequently held at amortised cost.

(e) Bank and other borrowings
Interest-bearing bank and other loans are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for at amortised cost and on an accruals basis in the statement of comprehensive income using the effective interest method. Interest is added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

(f) Derivative financial instruments
Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. They are held at fair value through profit or loss and are re-measured at each reporting date with the movement being recognised in the statement of comprehensive income.

(g) Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instrument's legal form. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(h) Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Operating leases
Amounts due under operating leases are charged to the statement of comprehensive income in equal annual instalments over the period of the lease.

Finance leases
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Nature and purpose of each reserve in equity
Share capital is determined using the nominal value of shares that have been issued.

Share premium represents the difference between the nominal value of shares issued and the fair value of the total consideration receivable at the issue date.

Equity-settled share-based employee remuneration is credited to the share-based payment reserve until the related share options are exercised. Upon exercise the share-based payment reserve is transferred to retained earnings.

The merger reserve has been created in relation to the Group reorganisation under IFRS 3, in which Lakehouse plc replaced Lakehouse Holdings Limited as the Group's ultimate parent Company.

3. Critical accounting judgements and key sources of uncertainty
In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or if the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed on page 88.

3. Critical accounting judgements and key sources of uncertainty (continued)

(i) Fair value of identifiable net assets acquired

Upon acquisition of a business, its identifiable assets and liabilities are assessed to determine their fair value. The values attributed to assets and liabilities as part of this process are, where appropriate, based on market values identified for equivalent assets, together with management's experience and assessments including comparison to the carrying value of assets of a similar condition and age in the existing business.

The accounting for the acquisitions in the period and the comparative period involved identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition. The determination of fair values involved some key judgements and estimates, particularly in relation to the fair value of work in progress, other intangibles and deferred consideration.

The key judgements and estimates made in determining the fair value of other intangibles were:

- An estimation of cash arising from future revenues and profit derived from the asset where this method is used to assess the fair value of the asset. The estimate will itself depend on key assumptions
- The appropriate discount factor to apply to cash flows to determine the net present value of the cash flows
- Identification of and judgements around the uncertainties of the valuation model and its sensitivity to error in its key assumptions

The key judgements and estimates made in determining the fair value of deferred consideration were:

- The appropriate discount factor
- An estimation of future revenues and profit of the related businesses which determine the amount of the future consideration to be paid
- Identification of and judgements around the uncertainties of the valuation model and its sensitivity to error in its key assumptions

(ii) Impairment of goodwill, tangible and intangible assets

The Group reviews the valuation of goodwill, other intangibles and tangible assets for impairment annually or if events and changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is determined based on value-in-use.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately above), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Revenue and profit recognition

Revenue is recognised based on the stage of completion of job or contract activity. Certain types of service provision pricing mechanisms require minimal judgement; however, service provision lump sum construction and construction-type contracts do require judgements and estimates to be made to determine the stage of completion and the expected outcome for the individual contract.

(ii) Valuation of accrued revenue and amounts recoverable under construction contracts

The key judgements and estimates in determining the recoverable amounts of accrued revenue arising from construction and non-construction contracts were:

- An estimation of work completed by subcontractors, as yet unbilled
- An estimation of costs to complete
- An estimation of remaining revenues

These assessments include a degree of uncertainty and therefore if the key judgements change, further adjustments of recoverable amounts may be necessary.

4. Operating segments

The Group's chief operating decision maker is considered to be the Board of Directors. The Group's operating segments are determined with reference to the information provided to the Board of Directors in order for it to allocate the Group's resources and to monitor the performance of the Group.

The Board of Directors has determined an operating management structure aligned around the four core activities of the Group, with the following operating segments applicable:

- **Regeneration:** focused on planned and responsive maintenance services for social housing. A significant part of our services is project managing delivery and ongoing resident liaison in delivering planned services such as new kitchens, bathrooms, roofs and windows. The segment also has a small but growing responsive maintenance business. We contract with customers predominantly under framework agreements, where the number of suppliers will vary from one to a small group
- **Compliance:** focused on gas, fire, electrics, air and water, where we contract predominantly under framework agreements. Services comprise the following:
  - installation, maintenance and repair-on-demand of gas appliances and central heating systems
  - compliance services in the areas of fire protection and building electrics
  - air and water hygiene solutions
- **Energy Services:** we offer a range of services in the energy efficiency sector, including external, internal and cavity wall insulation, loft insulation, gas central heating and boiler upgrades. The services are offered under various energy saving initiatives including Energy Company Obligations ('ECO'), Green Deal and the Scottish Government's HEEPs ('Home Energy Efficiency Programme') Affordable Warmth programme. Clients include housing associations, social landlords, local authorities and private householders and we have trading relationships with five of the 'big six' utility suppliers and many of the leading utility challengers. We also provide renewable technologies, metering services and energy advisory and brokerage services to customers throughout the UK
- **Construction:** focused on small to medium sized building projects, normally under framework agreements with an emphasis on the education sector. The business targets refurbishment projects for public buildings in the mid-range of value and tends to avoid large scale building projects. The segment also includes a social housing development business, which we are exiting and in relation to which, contract losses have been disclosed separately so as not to distort the underlying trading position of the Group and the Construction segment

The accounting policies of the reportable segments are the same as those described in the accounting policies section.

All revenue and profit is derived from operations in the United Kingdom only.

The profit measure the Group uses to evaluate performance is Underlying EBITA. Underlying EBITA is defined as operating profit before deduction of exceptional and other items, as outlined in Note 7 and on the face of the income statement.

The Group accounts for inter-segment trading on an arm's length basis. All inter-segment trading is eliminated on consolidation. The following is an analysis of the Group's revenue and Underlying EBITA by reportable segment:

	2015 £'000	2014 £'000
Revenue		
Regeneration	**161,733**	172,611
Compliance	**36,625**	32,164
Energy Services	**68,047**	22,939
Construction	**73,439**	78,516
Total segment revenue	**339,844**	306,230
Inter-segment elimination	**(3,211)**	(3,742)
Total underlying revenue	**336,633**	302,488
Businesses being exited (Construction segment)	**3,565**	–
Revenue from external customers	**340,198**	302,488

Inter-segment trading comprises services provided by the Compliance segment for the Regeneration segment and are charged at prevailing market prices.

Reconciliation of underlying EBITA to profit before taxation

	2015 £'000	2014 £'000
Underlying EBITA by segment		
Regeneration	**10,510**	9,267
Compliance	**4,509**	2,548
Energy Services	**9,570**	2,781
Construction	**4,838**	2,539
Central	**(7,203)**	(6,326)
Total underlying EBITA	**22,224**	10,809
Contract losses on businesses being exited (Construction segment)	**(2,524)**	–
Amortisation of acquisition intangibles	**(6,465)**	(5,101)
Exceptional costs	**(8,656)**	(4,405)
Investment income	**20**	181
Finance costs	**(1,397)**	(1,380)
Profit before taxation	**3,202**	104

The improvement to IFRS 8 issued in April 2009 clarified that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker. Following a change in the internal reporting of segmental financial results during the year the chief operating decision maker no longer reviews segmental assets and liabilities on a regular basis. Only the Group consolidated statement of financial position is regularly reviewed by the chief operating decision maker and consequently no segment assets or liabilities are disclosed here under IFRS 8.

The results from Group's major customers (defined as customers with 10% or more of Group revenue) for 2015 or 2014 which are included within the Regeneration segment, were as follows:

	2015	2014
% of Group revenue	**8%**	11%
Revenue (£'000)		
Revenue from customer A	**28,279**	33,126

5. Profit before taxation

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amount of inventories recognised as an expense	**42,984**	36,137
Depreciation of property, plant and equipment:		
– owned	**781**	502
– held under finance leases	**236**	170
Amortisation of intangible assets (Note 15)	**6,841**	5,334
Staff costs (Note 9)	**57,392**	41,200
Equity-settled share-based payments (Note 9)	**846**	86
Operating lease rentals:		
– land and buildings	**900**	636
– other	**1,140**	939
Profit on disposal of property, plant and equipment	**(99)**	(87)

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6. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2015 £'000	2014 £'000
Fees payable to the Company's auditor and their associates for audit services to the Group:		
– The audit of the Company's annual accounts	50	50
– The audit of the Company's subsidiaries	236	100
Total audit fees	286	150
Fees payable to the Company's auditor and their associates for other services to the Group:		
– Taxation compliance services	40	21
– Taxation advisory services (corporate tax and indirect tax)	226	–
– Other assurance services (interim review)	29	–
– Corporate finance services (IPO)	830	240
Total non-audit fees	1,125	261

7. Exceptional and other items, including amortisation of acquisition intangibles

	2015 £'000	2014 £'000
Contract losses on businesses being exited	2,524	–
Exceptional items		
Acquisition costs	803	696
Contract costs	2,891	2,984
Disposal of subsidiary business	–	69
Restructuring	832	–
IPO costs	4,130	656
Total exceptional items	8,656	4,405
Amortisation of acquisition intangible assets	6,465	5,101
Operating loss impact of exceptional and other items	17,645	9,506
Accelerated amortisation of financing costs	355	–
Unwinding discount of deferred consideration	403	478
Loss before tax impact of exceptional and other items	18,403	9,984
Imputed taxation credit	(3,300)	(811)
Loss after tax impact of exceptional and other items	15,103	9,173

Exceptional and other items in the year reduced the Group's profit before tax by £18.4m and related to the following items:

Contract losses on businesses being exited

Contract losses on businesses being exited of £2.5m (2014: £nil) represent further losses incurred on certain legacy contracts of our now ceased social housing development business. The associated revenues on these contracts were £3.6m. In the prior year, a loss of £1.2m was incurred in the social housing development business, which was treated as part of underlying activities in that year.

Exceptional items

Acquisition costs comprise legal, professional and other expenditure in relation to acquisition activity during the year and amounted to £0.8m (2014: £0.7m).

Contract costs relate to exceptional remediation expenses associated with the resolution of historic matters on a specific contract. The amount of £2.9m above represents the costs of additional unforeseen work undertaken over and above the £3.0m provided in the year ending 30 September 2014.

Restructuring costs of £0.8m (2014: £nil) relate to redundancy costs, the write-off of certain fixed assets and legal fees in relation to reshaping the Group structure during the year post-IPO.

IPO costs of £4.1m (2014: £0.7m) comprise legal, professional and incidental expenditure incurred in relation to the IPO. We also transferred £1.3m of costs to the share premium account to reflect costs directly attributable to the issue of new equity.

Amortisation of acquisition intangibles

Amortisation of acquisition intangibles was £6.5m for the year (2014: £5.1m); with the increase reflecting a full year impact of Everwarm, together with the acquisitions of H2O Nationwide, Providor, Orchard Energy and Sure Maintenance during the year.

Accelerated amortisation of financing costs

Finance costs of £0.4m (2014: £nil) represent the acceleration of unamortised costs on the term loan we replaced with a new revolving credit facility in December 2014, ahead of the IPO.

Unwinding discount of deferred consideration

Unwinding discount of deferred consideration reflects the present value of deferred sums, discounted at a post-tax rate of 8.5%, due on outstanding payments for acquisitions.

Accounting treatment

The costs discussed above are considered non-trading because they are not part of the underlying trading of the Group and (aside from amortisation of acquisition intangibles and unwinding discount of deferred consideration) are not expected to recur year to year.

8. Investment income and expenditure

	2015 £'000	2014 £'000
Investment income		
Bank interest receivable	**11**	34
Unwinding of discount on financial assets	**–**	114
Fair value gain on interest rate hedge arrangement	**9**	33
	20	181
Finance expenses		
Interest payable on bank overdrafts and loans	**(986)**	(900)
Unwinding of discount on financial liabilities	**(411)**	(480)
	(1,397)	(1,380)

9. Information relating to employees

The average number of employees, including Directors, employed by the Group during the year was:

	2015 Number	2014 Number
Direct labour and contract management	**1,022**	628
Administration and support	**853**	354
	1,875	982

The aggregate remuneration was as follows:

	2015 £'000	2014 £'000
Wages and salaries	**51,638**	36,770
Social security	**5,087**	3,972
Pension costs – defined contribution plans	**667**	458
Equity-settled share-based payments	**846**	86
	58,238	41,286

10. Retirement benefit obligations

The Group contributes to the personal pension plans of certain employees of the Group. The assets of these schemes are held in independently administered funds. From 1 February 2014, the Group contributes to a new workplace pension scheme for all employees in compliance with the automatic enrolment legislation. The Group paid £667,000 in the year ended 30 September 2015 (2014: £458,000). At the reporting date, £88,505 of contributions were payable to the funds (2014: £151,402).

11. Tax on profit on ordinary activities

	2015 £'000	2014 £'000
Current tax		
Current year	**2,200**	1,171
Adjustments in respect of prior years	**(324)**	–
Total current tax	**1,876**	1,171
Deferred tax (Note 25)	**(1,060)**	(686)
Total tax on profit on ordinary activities	**816**	485

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £'000	2014 £'000
Profit before tax	**3,202**	104
UK corporation tax rate	**20.50%**	22.00%
Tax at the UK corporation tax rate	**657**	23
Effects of:		
Expenses not deductible for tax purposes	**419**	451
Adjustment of deferred tax to closing tax rate	**35**	49
Adjustments in respect of prior years – current tax	**(324)**	–
Adjustments in respect of prior years – deferred tax	**29**	–
Other adjustments	**–**	(38)
Tax expense for the year	**816**	485

In addition to the amounts charged to the consolidated statement of comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2015 £'000	2014 £'000
Current tax – excess tax deductions related to share-based payments on exercised options	**2,506**	–
Deferred tax (Note 25)	**1,897**	1,168
Total	**4,403**	1,168

Factors that may affect future charges

The Finance Act 2014, which provides for a reduction in the main rate of corporation tax from 21% to 20% effective from 1 April 2015, was substantively enacted on 17 July 2014. This rate reduction has been reflected in the calculation of the deferred tax at 30 September 2015.

The Government intends to enact further reductions in the main tax rate down to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. As these tax rates were not substantively enacted at the balance sheet date, the relevant rate reductions are not yet reflected in these financial statements in accordance with IAS 10, as it is a non-adjusting event occurring after the reporting period.

We estimate that the future rate change to 18% would further reduce our UK deferred tax liability recognised at 30 September 2015 from £1,979,000 to £1,880,000. The actual impact will be dependent on our deferred tax position at that time.

Notes to the consolidated financial statements

For the year ended 30 September 2015
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12. Dividends

The proposed final dividend for the year ended 30 September 2015 of 1.9p per share amounting to £3.0m (2014: £nil) will be paid on 8 February 2016 to the shareholders on the register at the close of business on 8 January 2016. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

13. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2015 Number	2014 Number
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	127,776,310	75,172,587
Diluted		
Effect of dilutive potential ordinary shares:		
Share options and free shares	14,122,892	30,735,019
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	141,899,202	105,907,606
Earnings/(loss) for the purpose of basic and diluted earnings per share being net profit attributable to the owners of the Company (£'000)	2,386	(381)
Basic earnings/(loss) per share	1.9p	(0.5)p
Diluted earnings/(loss) per share	1.7p	(0.5)p
Earnings for the purpose of underlying earnings per share being underlying net profit attributable to the owners of the Company (£'000)	17,489	8,792
Underlying basic earnings per share	13.7p	11.7p
Underlying diluted earnings per share	12.3p	8.3p

The number of shares in issue at 30 September 2015 was 157,527,103.

The weighted average number of ordinary shares in issue during the year excludes those accounted for in the own shares reserve (Note 29).

14. Goodwill

	£'000
At 1 October 2013	7,491
Recognised on acquisition of Foster Property Maintenance Limited	17,421
Recognised on acquisition of Everwarm Limited	17,476
At 30 September 2014	42,388
Recognised on acquisition of H2O Nationwide Limited (Note 34)	2,209
Recognised on acquisition of Providor Limited (Note 34)	2,591
Recognised on acquisition of Orchard Holdings UK Limited (Note 34)	5,005
Recognised on acquisition of Sure Maintenance Group Limited (Note 34)	4,074
At 30 September 2015	**56,267**

Goodwill arising on consolidation represents the excess of the fair value of the consideration transferred over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill is not amortised but is reviewed for impairment on an annual basis or more frequently if there is an indication that goodwill may be impaired. Goodwill acquired in a business combination is allocated to cash-generating units ('CGUs') according to the level at which management monitors that goodwill.

Goodwill is carried at cost less accumulated impairment losses.

The carrying value of goodwill is allocated to the following CGUs:

CGU	Segment	2015 £'000	2014 £'000
K&T Heating Services Limited	Compliance	**3,774**	3,774
Allied Protection Limited	Compliance	**3,717**	3,717
Foster Property Maintenance Limited	Regeneration	**17,421**	17,421
Everwarm Limited	Energy services	**17,476**	17,476
H2O Nationwide Limited	Compliance	**2,209**	–
Providor Limited	Energy services	**2,591**	–
Orchard (Holdings) UK Limited	Energy services	**5,005**	–
Sure Maintenance Group Limited	Compliance	**4,074**	–
		56,267	42,388

An asset is impaired if its carrying value exceeds the unit's recoverable amount which is based upon value in use. At each reporting date impairment reviews are performed by comparing the carrying value of the CGU to its value in use. At 30 September 2015 the value in use for each CGU was calculated based upon the cash flow projections of the latest Board approved three year forecasts together with a further two years estimated and an appropriate terminal value based on perpetuity.

This is discussed further below.

Future budgeted and forecast profits are estimated by reference to the average operating margins achieved in the period immediately before the start of the budget period.

The estimated growth rates are based on past experience and knowledge of the individual sector's markets. The Directors believe that the gas, fire safety, air and water, property maintenance and the energy and insulation markets will continue to present strong growth opportunities for the CGUs outlined above respectively. Management believe that future growth in these markets is underpinned by a number of factors including:

- A pipeline of new tenders
- Further opportunities to work with other Group companies
- Client demand for safe buildings that are affordable to heat
- Adjacent market opportunities

The key assumptions used in the impairment reviews are outlined below.

The growth rate applied to the cash flows in years four and five of the impairment review performed at 30 September 2015 was 2% (2014: 0%–5%). A terminal growth rate of 1% (2014: 0%–1%) was applied. The pre-tax discount rate applied was 11% (2014: 10%–11%). The Directors consider that reasonably possible changes in the key assumptions would not cause the carrying amount to exceed its recoverable amount.

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15. Other intangible assets

		Acquisition intangibles			
	Computer software £'000	Contracted customer order book £'000	Customer relationships £'000	Non-compete agreements £'000	Total £'000
Cost					
At 1 October 2013	605	4,265	1,913	–	6,783
Recognised upon acquisition	–	12,323	6,300	–	18,623
Additions	475	–	–	–	475
Disposals	(3)	–	–	–	(3)
At 30 September 2014	1,077	16,588	8,213	–	25,878
Recognised upon acquisition	30	7,750	5,559	2,508	15,847
Additions	491	–	–	–	491
Disposals	(276)	–	–	–	(276)
At 30 September 2015	**1,322**	**24,338**	**13,772**	**2,508**	**41,940**
Amortisation					
At 1 October 2013	195	1,890	583	–	2,668
Amortisation charge	233	3,800	1,301	–	5,334
Disposals	–	–	–	–	–
At 30 September 2014	428	5,690	1,884	–	8,002
Amortisation charge	376	4,128	2,161	176	6,841
Disposals	(102)	–	–	–	(102)
At 30 September 2015	**702**	**9,818**	**4,045**	**176**	**14,741**
Carrying value					
At 30 September 2015	**620**	**14,520**	**9,727**	**2,332**	**27,199**
At 30 September 2014	649	10,898	6,329	–	17,876

Contracted customer order book

The value placed on the order book is based upon the cash flow projections over the contracts in place when a business is acquired. Due to uncertainties with trying to forecast revenues beyond the contract term, the Directors have valued contracts over the contractual term only. The value of the order book is amortised over the remaining life of each contract which typically range from one to five years.

Customer relationships

The value placed on the customer relationships are based upon the non-contractual expected cash inflows forecast on the base business over and above contracted revenues. The value of customer relationships is amortised over five years.

Non-compete agreement

The value placed on the non-compete agreements are based upon the non-compete clause and knowledge and know-how of the former owners of the acquired businesses. The value of non-compete is amortised over five years.

The annual WACC discount rate employed in the calculation of the acquisition intangibles is 13.00% (2014: 13.00%).

16. Property, plant and equipment

	Leasehold improvements £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2013	45	191	431	930	1,597
Acquisition in the year	23	68	323	673	1,087
Additions	439	92	253	106	890
Disposals	–	(13)	(27)	(556)	(596)
At 30 September 2014	507	338	980	1,153	2,978
Acquisition in the year	32	99	311	830	1,272
Additions	537	77	224	331	1,169
Disposals	–	(46)	(3)	(499)	(548)
At 30 September 2015	**1,076**	**468**	**1,512**	**1,815**	**4,871**
Depreciation					
At 1 October 2013	4	111	260	729	1,104
Charge for the year	51	54	193	374	672
Disposals	–	(8)	(25)	(523)	(556)
At 30 September 2014	55	157	428	580	1,220
Charge for the year	164	75	305	473	1,017
Disposals	–	(43)	(3)	(446)	(492)
At 30 September 2015	**219**	**189**	**730**	**607**	**1,745**
Net book value					
At 30 September 2015	**857**	**279**	**782**	**1,208**	**3,126**
At 30 September 2014	452	181	552	573	1,758

Included within the net book value of tangible fixed assets is £837,000 (2014: £377,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £236,000 (2014: £170,000).

Notes to the consolidated financial statements
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17. Group entities
Subsidiaries
The Group's subsidiary undertakings are:

	Country of incorporation	Class of capital	%	Principal activity
Allied Protection Limited	England	Ordinary	100	Fire alarm engineers
Everwarm Limited	Scotland	Ordinary	100	Energy and insulation services
F J Jones Holdings Limited	England	Ordinary	100	Non-trading
F J Jones Heating Engineers Limited	England	Ordinary	100	Non-trading
Foster Property Maintenance Limited	England	Ordinary	100	Property maintenance
H2O Nationwide Limited	England	Ordinary	100	Water hygiene
K&T Heating Services Limited	England	Ordinary	100	Plumbing and heating engineers
Lakehouse Compliance Services Limited	England	Ordinary	100	Intermediate holding company
Lakehouse Contracts Limited**	England	Ordinary	100	Construction and Regeneration
Lakehouse Design and Build Limited	England	Ordinary	100	Construction
Lakehouse Energy Services Limited**	England	Ordinary	100	Intermediate holding company
Lakehouse Holdings Limited*	England	Ordinary	100	Intermediate holding company
Lakehouse Property Investments Limited**	England	Ordinary	100	Non-trading
Orchard Energy Limited	England	Ordinary	100	Energy procurement
Orchard (Holdings) UK Limited	England	Ordinary	100	Intermediate holding company
Orchard Utilities Limited	England	Ordinary	100	Non-trading
Orchard Water Limited	England	Ordinary	100	Non-trading
Providor Limited	England	Ordinary	100	Smart metering
Smart Metering Limited	England	Ordinary	100	Non-trading
Smart Metering Commercial Installations Limited	England	Ordinary	100	Non-trading
Smart Metering Domestic Installations Limited	England	Ordinary	100	Non-trading
Smart Metering Modules Limited	England	Ordinary	100	Non-trading
Speedfit Limited	England	Ordinary	100	Non-trading
Sure Maintenance Limited	England	Ordinary	100	Maintenance and installation of domestic gas heating systems
Sure Maintenance Group Limited	England	Ordinary	100	Intermediate holding company

* Directly held investment.
** Investment held by Lakehouse Holdings Limited.

Joint ventures
The Group's joint ventures are:

	Country of incorporation	Class of capital	%	Principal activity
Warmworks Scotland LLP	Scotland	Ordinary	33.33	Energy and insulation services

Details of Warmworks

	2015 £'000	2014 £'000
Group share of profit of joint venture	**–**	–

Warmworks commenced trading in September 2015 and under IFRS 11, no share of the initial loss associated with the mobilisation costs (estimated at £165,000) was recognised, in light of the entity having no investment value in the books of the Group.

18. Inventories

	2015 £'000	2014 £'000
Raw materials and consumables	**3,739**	1,408
Other work in progress (which includes development properties)	**896**	3,620
	4,635	5,028

There are no inventories at 30 September 2015 or 30 September 2014 carried at fair value less costs to sell. The Directors consider that the replacement value of inventories is not materially different from their carrying value. There was no security held at any reporting date over inventory.

19. Amounts due from and to customers under construction contracts

	2015 £'000	2014 £'000
Contracts in progress at the reporting date:		
Contract costs incurred plus recognised profits less recognised losses to date	**273,051**	216,827
Less: progress billings	**(271,572)**	(215,890)
	1,479	937
Amounts due from construction contract customers	**2,053**	3,247
Amounts due to construction contract customers	**(574)**	(2,310)
	1,479	937

Details of retentions held by customers for performance under construction contracts are disclosed in Note 20. As at 30 September 2015 there were no advances received from customers for work performed under construction contracts (2014: £nil).

20. Trade and other receivables

	2015 £'000	2014 £'000
Current		
Trade receivables	**35,114**	37,192
Construction contract retentions receivable	**3,489**	2,305
Related party loans receivable	**381**	499
Social security and other taxes	**379**	2,139
Other receivables	**4,323**	4,353
Prepayments	**2,011**	802
Accrued income	**31,841**	25,888
	77,538	73,178
Non-current		
Construction contract retentions receivable	**266**	1,144
Related party loans receivable	**150**	–
Other receivables	**715**	522
	1,131	1,666

	2015 £'000	2014 £'000
Trade receivables		
Trade receivables not due	**26,884**	27,529
Trade receivables past due 1-30 days	**5,230**	5,348
Trade receivables past due 31-60 days	**2,150**	2,518
Trade receivables past due 61-90 days	**705**	953
Trade receivables past due over 90 days	**1,122**	1,782
Gross trade receivables	**36,091**	38,130
Provision for bad debt brought forward	**(938)**	(64)
Debtor provision recognised upon acquisition	**(309)**	(550)
Amounts written off receivables ledger	**14**	3
Debtor provision credited/(charged) to profit or loss in the year	**256**	(327)
Provision for bad debt carried forward	**(977)**	(938)
Net trade receivables	**35,114**	37,192

The entire provision for bad debts of £977,000 (2014: £938,000) is past due over 90 days.

Included in other receivables is £nil (2014: £342,000) of unpaid share capital and share premium. This is receivable from various Directors and employees, details are included in Note 36 – related party transactions.

Included in related party loans receivable is an amount of £381,143 owed by La Maison Du Lac Limited to Lakehouse Contracts Limited (2014: £462,439). The loan is unsecured and interest free. Messrs S Rawlings, P King and P Broider are shareholders and Directors of La Maison Du Lac Limited. During the reporting period, Messrs S Rawlings, P King and P Broider were Directors of Lakehouse Holdings Limited.

Included in related party loans receivable is an amount of £150,000 owed by the former owners of Everwarm (2014: £nil).

Included in related party loans receivable is an amount of £nil owed by Ms C King to Lakehouse Contracts Limited (2014: £26,196). Ms C King is a former employee of Lakehouse and Company Secretary of Lakehouse Design & Build Limited and is the sister of Mr S Rawlings, a former Director of Lakehouse Holdings Limited.

The Directors consider that the carrying amount of trade receivables approximates to their fair value. Debts provided for and written off are determined on an individual basis and included in administrative expenses in the financial statements. The Group's maximum exposure on credit risk is fair value on trade receivables as presented above. The Group has no pledge as security on trade receivables.

Of the trade receivables balances at the end of the year £670,000 (2014: £1,971,000) was due from customer A, being a major customer of the Group. In addition, at the end of the year a total of £3,028,000 was owed by one other customer whom represented more than 5% of the total balance of trade receivables (2014: £7,008,000 – three customers).

21. Trade and other payables

	2015 £'000	2014 £'000
Current		
Trade payables	**30,459**	23,999
Sub-contract retentions	**3,830**	2,243
Accruals	**36,184**	40,191
Deferred income	**3,727**	1,729
Social security and other taxes	**5,656**	3,018
Other payables	**488**	1,853
	80,344	73,033
Non-current		
Sub-contract retentions	**282**	1,441
Accruals	**4,731**	3,413
	5,013	4,854

The Directors consider that the carrying amount of trade payables approximates to their fair value for each reported period. Trade payables are non-interest bearing. Average settlement days are 38 days (2014: 32 days).

Included in accruals is deferred consideration arising from business combinations analysed as follows:

	2015 £'000	2014 £'000
Current	**4,928**	9,915
Non-current	**4,293**	3,195
	9,221	13,110

The fair value of the consideration has been assessed in accordance with the Sale & Purchase Agreements. The non-current element of the expected settlement has been discounted using a post-tax discount rate of 2.68% (2014: 2.45%) that reflects the time value of money. £7,181,000 of the deferred consideration is contingent on future earnings of the businesses acquired. The amount that is non-current (£3,090,000) has been discounted using a post-tax discount rate of 8.5% that reflects both the time value of money and the inherent estimation uncertainty.

22. Borrowings

	2015 £'000	2014 £'000
Bank loans and credit facilities at amortised cost:		
Current	**–**	3,333
Non-current	**–**	7,878
	–	11,211
Maturity analysis of bank loans and credit facilities falling due:		
In one year or less, or on demand	**–**	3,333
Between one and two years	**–**	3,332
Between two and five years	**–**	4,546
	–	11,211

In October 2013 the Group renegotiated its bank facilities to provide an overdraft facility of £2,000,000 together with a £15,000,000 term loan repayable in instalments. At 30 September 2014 a balance of £11,667,000 was outstanding on the term loan, with 11 instalments outstanding and a final amount of £2,500,000 being due on 21 October 2017; no amount of the overdraft facility was outstanding. An average interest cost of 4.29% was incurred on the term loan in 2014. The term loan was fully repaid in December 2014.

In December 2014, the Group renegotiated its bank facilities to provide an overdraft facility of £5,000,000 together with a revolving credit facility of £30,000,000. In light of the net cash position of the Group, the revolving credit facility was undrawn at 30 September 2015.

23. Net cash/(debt)

	2015 £'000	2014 £'000
Cash and cash equivalents	**6,934**	4,230
Bank loans and credit facilities	**–**	(11,667)
Unamortised finance costs (included in other receivables)	**418**	–
Unamortised finance costs (included in borrowings)	**–**	456
Finance lease obligations	**(743)**	(231)
	6,609	(7,212)

24. Provisions

	Share costs £'000	Property development £'000	Legal and other £'000	Total £'000
At 1 October 2013	–	–	50	50
Identified on acquisition	–	–	100	100
Additional provision	459	1,254	4,805	6,518
At 30 September 2014	459	1,254	4,955	6,668
Identified on acquisition	–	–	818	818
Additional provision	–	–	2,891	2,891
Released in the year	–	(154)	(493)	(647)
Utilised in the year	(459)	–	(2,822)	(3,281)
At 30 September 2015	**–**	**1,100**	**5,349**	**6,449**
Current provisions	**–**	**1,100**	**2,179**	**3,279**
Non-current provisions	**–**	**–**	**3,170**	**3,170**

Share costs
Share costs relate to the expense associated with compensating certain employees on IPO, for the higher than expected costs faced on exercising share options extant at 30 September 2014. This crystallised entirely during the financial year, following the IPO in March 2015.

Property development
Property development costs represent sums due to the former owners of the land relating to the Manor Road housing development under the terms of the sale. This sum was paid in October 2015.

Legal and other
Other costs relate to property dilapidation obligations, potential contract settlement costs and other potential legal settlement costs, including a provision of £200,000 for legal expenses held on the balance sheet of the Company. The largest figure relates to the potential contract settlement costs which have been made on management review of contractual obligations faced on legacy contracts and include the Contract costs referred to in Note 7. These are expected to result in an outflow of economic benefit over the next one to three years.

25. Deferred taxation
The following are the major deferred tax (liabilities) and assets recognised by the Group and movements thereon during the current reporting period.

	Accelerated tax depreciation £'000	Short term temporary differences £'000	Share-based payments £'000	Acquired intangibles £'000	Tax losses £'000	Total £'000
At 1 October 2014	30	138	1,464	(3,445)	–	(1,813)
Acquisition of subsidiary	(45)	85	–	(3,163)	–	(3,123)
Credit/(charge) to profit or loss	8	16	(257)	1,293	–	1,060
(Charge)/credit direct to equity	–	–	(1,168)	–	3,065	1,897
At 30 September 2015	**(7)**	**239**	**39**	**(5,315)**	**3,065**	**(1,979)**
Deferred tax asset element	**–**	**239**	**39**	**–**	**3,065**	**3,343**
Deferred tax liability element	**(7)**	**–**	**–**	**(5,315)**	**–**	**(5,322)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The analysis above shows the gross position on deferred tax which has been offset in the statement of financial position.

26. Finance lease obligations

These comprise legacy lease arrangements that were in place with previous acquisitions and lease arrangements entered into by subsidiaries acquired in the year.

	Future minimum lease payments £'000	Interest £'000	Present value of minimum lease payments £'000
At 1 October 2013	43	(5)	38
New obligations on acquisition	429	(34)	395
Repayments	(226)	24	(202)
At 30 September 2014	246	(15)	231
New obligations on acquisition	897	(148)	749
New obligations	40	(7)	33
Repayments	(299)	29	(270)
At 30 September 2015	**884**	**(141)**	**743**

Future lease payments are due as follows:

	Future minimum lease payments £'000	Interest £'000	Present value of minimum lease payments £'000
Less than one year	471	(68)	403
Between two and five years	413	(73)	340
At 30 September 2015	**884**	**(141)**	**743**
Less than one year	167	(2)	165
Between two and five years	79	(13)	66
At 30 September 2014	246	(15)	231

27. Called up share capital

Allotted, called-up and fully paid;

Lakehouse plc 2015 Number	Lakehouse Holdings Limited 2014 Number		**Lakehouse plc 2015 £**	Lakehouse Holdings Limited 2014 £
–	15,620	Ordinary shares of £0.01 each	**–**	156
–	1,369	A ordinary shares of £0.01 each	**–**	14
–	3,180	B ordinary shares of £0.015 each	**–**	48
–	100	C ordinary shares of £0.015 each	**–**	2
–	5,380,000	D1 ordinary shares of £0.0000127581 each	**–**	69
–	2,000	E ordinary shares of £0.015 each	**–**	30
157,527,103	–	Ordinary shares of £0.10 each	**15,752,710**	–
			15,752,710	319

On 13 February 2015 and 17 March 2015, in connection with the pre-IPO reorganisation, the Lakehouse Holdings Limited shareholders entered into a Share-for-Share Exchange Agreement with the shareholders of Lakehouse plc. As a result Lakehouse plc became the ultimate parent Company of the Group, with a 100% investment in Lakehouse Holdings Limited. This transaction was accounted for under the merger relief provisions and accordingly Lakehouse plc has produced consolidated financial statements as if it were the parent of the Group for the entire period. Accordingly, the share capital presented in the comparatives reflects the share capital structure of Lakehouse Holdings Limited as the then parent Company of the Group being consolidated.

During the year the Company issued 157,527,103 ordinary shares at £0.89 per share with a nominal value of £0.10. This comprised 123,819,237 related to replacement shares in relation to the Share for Share Exchange Agreement with the shareholders of Lakehouse Holdings Limited. The balance of 33,707,866 represented new shares issued on IPO, where we credited share capital £3,370,787 and share premium of £26,629,214 (2014: 5,380,000 D1 ordinary shares with a nominal value of £0.0000127581, crediting share capital £69 and share premium of £31,471,637).

Details of options granted under the Group's share scheme are contained in Note 28.

Voting rights

The holders of ordinary shares are entitled to receive notice of, attend or participate in any general meeting of the Company and to receive any notice of a written resolution proposed to be passed by the Company.

On a show of hands at a meeting the holders of any such shares shall be entitled to one vote for all such shares held.

On a poll at a meeting, for a written resolution, the holder of such shares shall be entitled to such number of votes as corresponds to the nominal value (in pence) or the relevant shares held.

28. Share-based payments

The Company has established a Share Incentive Plan (SIP), Sharesave Scheme (SAYE), Company Share Option Plan (CSOP), Performance Share Plan (PSP) and a Deferred Share Bonus Plan (DSBP) in the year ended 30 September 2015. The net charge recognised for share-based payments in the year was £846,000 (2014: £86,000).

Share Incentive Plan (SIP)

The SIP is an HMRC approved scheme plan open to all UK employees at the date of the IPO, 23 March 2015. Each employee was given £200 of free shares; there were no performance conditions apart from remaining in employment for three years from the date of award.

Shares totalling 325,842 were transferred directly to the SIP trust and on 29 April 2015, 236,213 share allotted in relation to the initial award of shares under the SIP.

Sharesave Scheme (SAYE)

The SAYE is open to all employees who satisfy certain criteria, particularly relating to period of employment. The exercise price is equal to the average of the closing quoted market price for the preceding three days less a discretionary discount approved by the Board of not less than 80% of the market value of a share. The Scheme is for three years, during which the holder must remain in the employment of the Group, and the shares can be exercised within six months from the maturity of the Scheme.

Company Share Option Plan (CSOP)

The CSOP is open to all employees at the discretion of the Remuneration Committee. The exercise price is equal to the average of the closing quoted market price at the date of grant. The vesting period is for three years, during which the holder must remain in the employment of the Group and is conditional on the achievement of a mix of market and non-market performance conditions from the date of granting the option to the date of potential exercise.

Performance Share Plan (PSP)

The PSP is open to certain employees at the discretion of the Remuneration Committee at a limit not exceeding 150% of the individual's base salary at the date of grant. The exercise price is £nil with the exception of the PSP award to Michael McMahon, which has an exercise price of 10p per share (being the nominal value of a share in the capital of the Company). The vesting period is for three years, during which the holder must remain in the employment of the Group and is conditional on the achievement of a mix of market and non-market performance conditions from the date of granting the option to the date of potential exercise.

Deferred Share Bonus Plan (DSBP)

The DSBP will be operated in conjunction with the Company's (and its subsidiaries') annual discretionary bonus arrangements from time to time and will provide a means by which a proportion of an employee's annual discretionary non-contractual bonus can be deferred. The number of shares placed under an award granted will be such number of shares as has a market value (measured at the grant date) as near to, but not exceeding, the amount of bonus that has been granted under such award. No award was made under the DSBP in the year.

28. Share-based payments (continued)

	SIP	SAYE	CSOP	PSP	DSBP
Number					
At 1 October 2013 and 30 September 2014	–	–	–	–	–
Granted	236,213	1,853,785	536,653	1,687,521	–
Lapsed	–	–	–	–	–
Forfeited	–	–	–	–	–
Exercised	–	–	–	–	–
At 30 September 2015	**236,213**	**1,853,785**	**536,653**	**1,687,521**	**–**
Weighted average exercise price (p)					
At 1 October 2013 and 30 September 2014	–	–	–	–	–
Granted	0.00p	81.74p	93.17p	0.00p	–
Lapsed	–	–	–	–	–
Forfeited	–	–	–	–	–
Exercised	–	–	–	–	–
Outstanding at 30 September 2015	**0.00p**	**81.74p**	**93.17p**	**0.00p**	**–**
Exercisable at 30 September 2015	**–**	**–**	**–**	**–**	**–**
Outstanding at 30 September 2014	–	–	–	–	–
Exercisable at 30 September 2014	–	–	–	–	–
Fair value of options granted					
Weighted fair value of one option	86.96p	24.9p	24.8p	65.5p	–
Assumptions used in estimating the fair value					
Share price at date of grant	99.75p	95.50p	95.00p	89.00p	–
Exercise price	–	81.74p	93.17p	–	–
Expected dividend yield	4.60%	2.69%	4.60%	4.82%	–
Risk-free rate	1.21%	0.94%	1.21%	0.60%	–
Expected volatility	40.37%	30.12%	40.37%	33.68%	–
Expected life	3 years	3.25 years	3 years	3 years	–

In the year ended 30 September 2015, options were granted in March 2015 in respect of the PSP and CSOP, April 2015 in respect of the SIP and July 2015 in respect of the SAYE. In the case of the SAYE and SIP schemes the fair value was determined using the Black Scholes model with the assumptions outlined above. One-third of the PSP and CSOP options have market-based vesting criteria and as such their fair value was determined using the Monte Carlo model. The remaining PSP and CSOP options had non market-based vesting criteria and were valued using the Black Scholes Model.

The weighted average remaining contractual life of outstanding options at 30 September 2015 was 2.7 years. The aggregate of the estimated fair values of options granted on the above dates was £1.9m. No options were exercisable at 30 September 2015.

The SIP and SAYE were valued using a Black-Scholes model and the CSOP and PSP a combination of Black-Scholes and Monte Carlo models, weighted according to the performance conditions of both.

The inputs into the Black-Scholes model are as follows:

	2015
Share price (p)	**89.00 – 99.75**
Exercise price (p)	**0.00 – 93.17**
Expected volatility (%)	**30.1 – 40.4**
Expected life (years)	**3.00 – 3.25**
Risk-free rate (%)	**0.9 – 1.2**
Expected dividends (%)	**2.7 – 4.8**

The inputs into the Monte Carlo model are as follows:

	2015
Share price (p)	**89.00 – 95.00**
Exercise price (p)	**0.00 – 93.17**
Expected volatility (%)	**33.7 – 40.4**
Expected life (years)	**3.00**
Risk-free rate (%)	**0.6 – 1.2**
Expected dividends (%)	**4.6 – 4.8**

Expected volatility was based upon the historical volatility over the expected life of the schemes for a group of comparator listed companies. The expected life is based upon scheme rules and reflect management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

Pre IPO

	2014 Weighted average exercise price	2014 Options
At 1 October 2013	£6.04	8,712
Granted	£0.28	1,498,868
Exercised	–	–
Expired	£111.00	(30)
At 30 September 2014	£0.31	1,507,550

At 30 September 2014 there were options over 5,000 ordinary shares, 3,682 A ordinary shares and 1,498,868 D2 ordinary shares. All these options were exercised prior to the IPO.

On 29 April 2014, 1,498,868 options were granted over D2 ordinary shares of Lakehouse Holdings Limited as replacement options for options over the shares in Everwarm Limited, held by Everwarm employees. These replacement options were granted to Everwarm employees on a like for like basis with reference to nominal value.

The fair value of the options over D2 ordinary shares granted on 29 April 2014 was £1,350,341. Of this amount, £784,677 was deemed to be part of the consideration paid for the acquisition in relation to past services provided by the employees. £565,664 was determined to relate to future post-acquisition services to be provided by the employees.

The significant inputs into the model for the options granted during the year ended 30 September 2014 were the exercise price shown above, future volatility of 25%, dividend yield of 0%, expected option life of 1.0 years and annual risk-free interest rate of 3%. Future volatility has been estimated based on comparable information from a group of listed peers rather than historical data.

29. Reserves

Share premium reserve

The share premium account represents amounts received in excess of the nominal value of shares on issue of new shares, net of the direct costs associated with issuing those shares. Issue costs in relation to the issue of shares on IPO of £1,315,000 have been charged to the share premium account.

Merger reserve

On 23 March 2015 Lakehouse plc was listed on the Premium Listing segment of the Official List and trading on the Main Market of the London Stock Exchange. As part of a restructuring accompanying the Initial Public Offering ('IPO') of the Group on 23 March 2015, Lakehouse plc replaced Lakehouse Holdings Limited as the Group's ultimate parent Company by way of a Share exchange agreement. Under IFRS 3 this has been accounted for as a Group reconstruction under merger accounting. These consolidated financial statements have been prepared as a continuation of the existing Group.

Merger accounting principles for this combination have given rise to a merger reserve of £20,067,000.

Own shares reserve

At IPO, each employee was given £200 of free shares, to be held for their benefit in an Employee Benefit Trust. Shares totalling 325,842 were transferred directly to the Employee Benefit Trust on 23 March 2015. The own shares reserve at 30 September 2015 represents the cost of 325,842 (2014: £nil) shares in Lakehouse plc, with a weighted average of 169,187 (2014: £nil) shares during the year.

30. Guarantees and contingent liabilities

The Company and certain subsidiaries have, in the normal course of business, given guarantees and performance bonds relating to the Group's contracts totalling £11,265,498 (2014: £11,327,000). A subsidiary of the Group has provided a guarantee of £750,000 (2014: £nil) to the Warmworks joint venture.

Notes to the consolidated financial statements

For the year ended 30 September 2015
continued

31. Financial instruments

Financial instruments comprise both financial assets and financial liabilities. The carrying value of these financial assets and liabilities are assumed to approximate their fair values.

The principal financial assets in the Group comprise trade, loans and other receivables, cash and cash equivalents, and investments in subsidiaries. The principal financial liabilities in the Group comprise borrowings which are categorised as debt at amortised cost, together with trade and other payables, other long term liabilities and provisions for liabilities, which are classified as other financial liabilities.

Financial risk management

The Group's objectives when managing finance and capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is not subject to any externally imposed capital requirements.

The main financial risks faced by the Group are liquidity risk, credit risk and market risk (which includes interest rate risk). Currently, the Group only operates in the UK and only transacts in Sterling. It is therefore not exposed to any foreign currency exchange risk. The Board regularly reviews and agrees policies for managing each of these risks.

Categories of financial instruments

	Loans and receivables	
	2015 £'000	2014 £'000
Financial assets		
Current financial assets		
Trade receivables, loans and other receivables	**75,527**	74,009
Cash and cash equivalents	**6,934**	4,230
Income tax receivable	**1,683**	–
Financial assets held at fair value through profit and loss		
Interest rate cap agreement	**42**	33
	84,186	78,272

	Financial liabilities measured at amortised cost	
	2015 £'000	2014 £'000
Financial liabilities		
Current financial liabilities		
Trade and other payables	**76,617**	71,304
Income tax payable	**–**	445
Borrowings	**–**	3,333
Finance lease obligations	**403**	165
Total current financial liabilities	**77,020**	75,247
Non-current financial liabilities		
Trade and other payables	**5,013**	4,854
Borrowings	**–**	8,334
Finance lease obligations	**340**	66
Total non-current financial liabilities	**5,353**	13,254
	82,373	88,501

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group does not enter into derivatives to manage its credit risk.

The maximum exposure to credit risk at the reporting date is represented by the carrying value of the financial assets in the statement of financial position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

There has been a minimal history of bad debts as the majority of its sales are to local government councils or housing trust partnerships and as a consequence the Directors do not consider that the Group has a material exposure to credit risk.

Market risk

As the Group only operates in the UK and only transacts in Sterling, the Group's activities expose it primarily to the financial risks of changes in interest rates only.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group's policy on liquidity is to ensure that there are sufficient committed borrowing facilities to meet the Group's medium to long term funding requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

A maturity analysis of bank borrowings at each period end is contained in Note 22.

(a) Interest rate of borrowings

The interest rate exposure of the Group's borrowings is shown below:

	2015 £'000	2014 £'000
Floating rate Sterling borrowings with uncapped interest rate	**–**	–
Floating rate Sterling borrowings with a capped interest rate	**–**	11,667

At 30 September 2015, the Group had the following interest rate caps in place:

- A cap of 2.50% on up to £6.7m of debt (2014: £nil), rising by £0.8m per quarter up to £12.5m on 30 June 2017, then to £15m on 29 December 2017 and expiring on 9 December 2018
- A cap of 2.00% on up to £8.3m of debt (2014: £11.7m), falling at a rate of £0.8m per quarter and expiring on 18 October 2017

(b) Interest rate risk
Due to the floating rate of interest on the Group's principal borrowings, the Group is exposed to interest rate risk, which is partially mitigated by financial instruments in place to cap the interest exposure.

(c) Interest rate sensitivity analysis
The Group's principal borrowings attract floating rate interest. The Group's borrowings stood at zero at year end, so a movement in interest rates would have had no impact. On a weighted average of £8.9m of debt in the year, a half per cent increase in the floating interest rate would have been below the interest rate cap and increased annual interest payable by £44,000 (2014: £61,000). If the floating interest rate had increased to the capped rate, interest payable on the weighted average of £8.9m of debt would have increased by £136,000 (2014: £194,000).

32. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015		2014	
	Land and buildings £'000	**Other items £'000**	Land and buildings £'000	Other items £'000
Within one year	**913**	**1,246**	705	602
Between two and five years	**2,157**	**1,338**	2,350	670
Over five years	**224**	**–**	1,603	–
	3,294	**2,584**	4,658	1,272

At 30 September 2015 the Company has no operating lease commitments (2014: £nil).

Operating lease payments represent rentals payable by the Group for its properties and equipment. For property, leases are negotiated for an average term of five years and rentals are fixed for an average of five years, with an option to extend for a further period at the then prevailing market rate. For equipment, leases are negotiated for a term of between three and four years and on completion the equipment is returned to the lessor.

33. Cash generated from operations

	2015 £'000	2014 £'000
Operating profit	**4,579**	1,303
Adjustments for:		
Depreciation	**1,017**	672
Amortisation of intangible assets	**6,841**	5,334
Equity-settled share-based payments	**846**	86
Profit on disposal of property, plant and equipment	**(98)**	(87)
Loss on disposal of subsidiary business	**–**	69
Changes in working capital:		
Inventories	**2,166**	(1,142)
Amounts owed by customers under construction contracts	**1,194**	(558)
Amounts owed to customers under construction contracts	**(1,736)**	1,256
Trade and other receivables	**1,692**	(3,784)
Trade and other payables	**3,635**	5,672
Provisions	**(1,037)**	6,518
Cash generated from operations	**19,099**	15,339

Underlying operating cash conversion calculation

	2015 £'000	2014 £'000
Cash generated from operations	**19,099**	15,339
Exceptional costs paid in the period	**6,540**	120
Underlying cash generated from operations	**25,639**	15,459
Operating profit before exceptional and other items	**22,224**	10,809
Underlying operating cash conversion %	**115%**	143%

Underlying operating cash conversion is operating cash flow, plus the cash impact of exceptional and other items (discussed further in note 7), as a percentage of underlying EBITA.

34. Business combinations

2015 acquisitions

H2O Nationwide Limited

On 3 October 2014 the Group acquired the entire share capital of H2O Nationwide Limited for consideration as detailed below. H2O Nationwide Limited's principal activity is that of air and water compliance. The effect of the acquisition on the Group's assets and liabilities were as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Assets			
Non-current			
Property, plant and equipment	8	–	8
Current			
Inventories	21	–	21
Trade and other receivables	719	(15)	704
Cash and cash equivalents	2,343	–	2,343
Total assets	3,091	(15)	3,076
Liabilities			
Current			
Trade and other payables	(620)	(2)	(622)
Total liabilities	(620)	(2)	(622)
Net assets acquired	2,471	(17)	2,454
Intangibles acquired			3,107
Deferred tax recognised in respect of intangibles capitalised			(621)
Goodwill capitalised			2,209
			7,149

Satisfied by:	
Cash consideration	4,891
Non-contingent Deferred consideration	1,331
Contingent Deferred consideration	927
	7,149

Contingent deferred consideration is payable in November 2018 and has been calculated based on the expectations of future performance in the Group's three year plan compared to the calculation methodology set out in the Share Purchase Agreement, discounted using a post-tax discount rate of 8.5%. Non contingent consideration is based on fixed deferred sums payable on the first, second and third anniversaries of completion of the transaction.

The H2O Nationwide Limited intangible assets are recognised and valued at £3.1m. This represents the expected value to be derived from the acquired customer-related contracts, acquired customer relationships and the value placed on the non-compete agreement. The value placed on these customer-related contracts and relationships is based on the expected post-tax cash inflows over the estimated remaining life of each contract. The cash flows are initially reduced by 10% after year 1 with further deductions thereafter which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships, and then discounted using a post-tax discount rate of 13%. The estimated life for customer contracts is assumed to be the remaining life of each contract, and the customer relationships are estimated to have a life of five years.

The Directors consider the value assigned to goodwill represents the workforce acquired, expected synergies to be generated, and access to adjacent business activities as a result of this acquisition. It is not expected that any goodwill will be deductible for tax purposes. All costs of the acquisition have been recognised as an exceptional expense in the Statement of Comprehensive Income in the period in which it was incurred, the total cost recognised is £227,000.

Post-acquisition results
The results for H2O Nationwide Limited since the acquisition date, included within the consolidated statement of comprehensive income for the period ended 30 September 2015, are:

	£'000
Revenue	**3,898**
Profit from operations	**1,052**
Interest	**60**
Profit before tax	**1,112**
Taxation	**(228)**
Profit for the period	**884**

Providor Limited
On 5 May 2015 the Group acquired the entire share capital of Providor Limited for consideration as detailed below. Providor Limited's principal activity is the installation of utility meter for domestic and industrial and commercial premises. The effect of the acquisition on the Group's assets and liabilities were as follows:

	Book value £'000	Fair value adjustments £'000	Provisional fair value* £'000
Assets			
Non-current			
Property, plant and equipment	443	–	443
Current			
Inventories	187	–	187
Trade and other receivables	1,737	(253)	1,484
Cash and cash equivalents	1,147	–	1,147
Total assets	3,514	(253)	3,261
Liabilities			
Non-current			
Deferred tax liability	(43)	–	(43)
Provisions	–	(604)	(604)
Current			
Trade and other payables	(1,789)	85	(1,704)
Amounts due under finance leases	(266)	–	(266)
Total liabilities	(2,098)	(519)	(2,617)
Net assets acquired	1,416	(772)	644
Intangibles acquired			4,688
Deferred tax recognised in respect of intangibles capitalised			(937)
Goodwill capitalised			2,591
			6,986
Satisfied by:			
Cash consideration			5,643
Contingent Deferred consideration			1,343
			6,986

* Due to the proximity of the acquisition to the Group's year-end, in accordance with IFRS 3, the initial accounting outlined above is deemed to be provisional pending finalisation of the fair value exercise.

The fair value adjustments relate to recoverability of debtors, lease dilapidations and potential legal claims.

Contingent deferred consideration is payable in August 2016 and has been calculated based on the expectations of future performance in the Group's three year plan compared to the calculation methodology set out in the Share Purchase Agreement, discounted using a post-tax discount rate of 8.5%.

34. Business combinations (continued)

The Providor Limited intangible assets are recognised and valued at £4.7m. This represents the expected value to be derived from the acquired customer-related contracts and the acquired customer relationships. The value placed on these customer-related contracts and relationships is based on the expected post-tax cash inflows over the estimated remaining life of each contract. The cash flows are initially reduced by 10% after year 1 with further deductions thereafter which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships, and then discounted using a post-tax discount rate of 13%. The estimated life for customer contracts is assumed to be the remaining life of each contract, and the customer relationships are estimated to have a life of five years.

The Directors consider the value assigned to goodwill represents the workforce acquired, expected synergies to be generated, and access to additional customers and markets as a result of this acquisition. It is not expected that any goodwill will be deductible for tax purposes. All costs of the acquisition have been recognised as an exceptional expense in the Statement of Comprehensive Income in the period in which it was incurred, the total cost recognised is £270,000.

Post-acquisition results

The results for Providor Limited since the acquisition date, included within the consolidated statement of comprehensive income for the period ended 30 September 2015, are:

	£'000
Revenue	**5,234**
Profit from operations	**139**
Interest	**(11)**
Profit before tax	**128**
Taxation	**(31)**
Profit for the period	**97**

Orchard (Holdings) UK Limited

On 10 July 2015 the Group acquired the entire share capital of Orchard (Holdings) UK Limited for consideration as detailed below. Orchard (Holdings) UK Limited's principal activity is that of energy procurement and advisory activities. The effect of the acquisition on the Group's assets and liabilities were as follows:

	Book value £'000	Fair value adjustments £'000	Provisional fair value* £'000
Assets			
Non-current			
Property, plant and equipment	100	–	100
Current			
Trade and other receivables	1,063	125	1,188
Cash and cash equivalents	3,001	–	3,001
Total assets	4,164	125	4,289
Liabilities			
Non-current			
Deferred tax liability	(17)	–	(17)
Provisions	–	(135)	(135)
Current			
Trade and other payables	(1,684)	(251)	(1,935)
Total liabilities	(1,701)	(386)	(2,087)
Net assets acquired	2,463	(261)	2,202
Intangibles acquired			4,004
Deferred tax recognised in respect of intangibles capitalised			(801)
Goodwill capitalised			5,005
			10,410

Satisfied by:	
Cash consideration	8,882
Contingent Deferred consideration	1,528
	10,410

* Due to the proximity of the acquisition to the Group's year-end, in accordance with IFRS 3, the initial accounting outlined above is deemed to be provisional pending finalisation of the fair value exercise.

Contingent deferred consideration is payable in December 2017 and has been calculated based on the expectations of future performance in the Group's three year plan compared to the calculation methodology set out in the Share Purchase Agreement, discounted using a post-tax discount rate of 8.5%.

The Orchard (Holdings) UK Limited intangible assets are recognised and valued at £4.0m. This represents the expected value to be derived from the acquired customer-related contracts and a non-compete agreement. The value placed on these customer-related contracts is based on the expected post-tax cash inflows over the estimated remaining life of each contract. The cash flows are initially reduced by 5% after year 1 with further deductions thereafter which the Directors consider is commensurate with the risks associated with capturing returns from the customer contracts, and then discounted using a post-tax discount rate of 13%. The value placed on the non-compete agreement is based on the difference between cash flows with the non-compete agreement in place and those expected to occur if it were not in place, discounted using a post-tax discount rate of 13%. The estimated life for customer contracts is assumed to be the remaining life of each contract, and the non-compete is estimated to have a life of five years.

The Directors consider the value assigned to goodwill represents the workforce acquired, expected synergies to be generated, and access to additional customers and markets as a result of this acquisition. It is not expected that any goodwill will be deductible for tax purposes. All costs of the acquisition have been recognised as an exceptional expense in the Statement of Comprehensive Income in the period in which it was incurred. The total cost recognised is £147,000.

Post-acquisition results

The results for Orchard (Holdings) UK Limited since the acquisition date, included within the consolidated statement of comprehensive income for the period ended 30 September 2015, are:

	£'000
Revenue	1,172
Profit from operations	145
Interest	–
Profit before tax	145
Taxation	(32)
Profit for the period	113

34. Business combinations (continued)

Sure Maintenance Group Limited

On 11 September 2015 the Group acquired the entire share capital of Sure Maintenance Group Limited for consideration as detailed below. Sure Maintenance Group Limited's principal activity is that of installation, service and maintenance of domestic gas heating systems for registered social landlords – local authorities and housing associations. The transaction has been accounted for by the acquisition method of accounting. The effect of the acquisition on the Group's assets and liabilities were as follows:

	Book value £'000	Fair value adjustments £'000	Provisional fair value* £'000
Assets			
Non-current			
Property, plant and equipment	751	–	751
Deferred tax	16	–	16
Current			
WIP	1,644	(79)	1,565
Trade and other receivables	2,141	–	2,141
Cash and cash equivalents	388	–	388
Total assets	4,940	(79)	4,861
Liabilities			
Non-current			
Provisions	–	(79)	(79)
Current			
Trade and other payables	(3,816)	13	(3,803)
Amounts due under finance leases	(483)	–	(483)
Total liabilities	(4,299)	(66)	(4,365)
Net assets acquired	641	(145)	496
Intangibles acquired			4,017
Deferred tax recognised in respect of intangibles capitalised			(804)
Goodwill capitalised			4,074
			7,783
Satisfied by:			
Cash consideration			7,275
Contingent Deferred consideration			508
			7,783

* Due to the proximity of the acquisition to the Group's year-end, in accordance with IFRS 3, the initial accounting outlined above is deemed to be provisional pending finalisation of the fair value exercise.

Contingent deferred consideration is payable in March 2017 and has been calculated based on the expectations of future performance in the Group's three year plan compared to the calculation methodology set out in the Share Purchase Agreement, discounted using a post-tax discount rate of 8.5%.

Sure Maintenance Group Limited intangible assets are recognised and valued at £4.0m. This represents the expected value to be derived from the acquired customer-related contracts and the acquired customer relationships. The value placed on these customer-related contracts and relationships is based on the expected cash inflows over the estimated remaining life of each contract. The cash flows are initially reduced by 10% after year 1 which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships, and then discounted for the cost of money using a pre-tax discount rate of 13%. The estimated life for customer contracts is assumed to be the remaining life of each contract, and the customer relationships are estimated to have a life of five years.

The Directors consider the value assigned to goodwill represents the workforce acquired, expected synergies to be generated, and access to additional geographical areas in the UK as a result of this acquisition. It is not expected that any goodwill will be deductible for tax purposes. All costs of the acquisition have been recognised as an exceptional expense in the Statement of Comprehensive Income in the period in which it was incurred, the total cost recognised is £159,000.

Post-acquisition results
The results for Sure Maintenance Group Limited since the acquisition date, included within the consolidated statement of comprehensive income for the period ended 30 September 2015, are:

	£'000
Revenue	**1,969**
Profit from operations	**53**
Interest	**(5)**
Profit before tax	**48**
Taxation	**(9)**
Profit for the period	**39**

Results of all business combinations occurring during the year
Assuming the acquisition date for all business combinations that occurred during the year had been 1 October 2014, the consolidated statement of comprehensive income for Lakehouse plc for the year ended 30 September 2015, would have been:

	£'000
Revenue	**372,860**
Profit from operations	**7,115**
Interest	**(1,578)**
Profit before tax	**5,537**
Taxation	**(1,368)**
Profit for the period	**4,169**

35. Summary of consideration paid and payable in respect of acquisitions

	Allied Protection Limited £'000	Foster Property Maintenance Limited £'000	Everwarm Limited £'000	H2O Nationwide Limited £'000	Providor Limited £'000	Orchard (Holdings) UK Limited £'000	Sure Maintenance Limited £'000	Total £'000
At 1 October 2013	3,696	–	–	–	–	–	–	3,696
Total discounted consideration payable for additions in the year ended 30 September 2014	–	37,189	44,294	–	–	–	–	81,483
Unwinding of discount	78	402	–	–	–	–	–	480
Equity issued in the year	–	–	(32,257)	–	–	–	–	(32,257)
Paid in year	(290)	(27,965)	(12,037)	–	–	–	–	(40,292)
At 30 September 2014	3,484	9,626	–	–	–	–	–	13,110
Total discounted consideration payable for additions in the year ended 30 September 2015	–	–	–	7,149	6,986	10,410	7,783	32,328
Unwinding of discount	73	114	–	126	53	34	3	403
Paid in year	(290)	(9,740)	–	(4,891)	(5,542)	(8,882)	(7,275)	(36,620)
At 30 September 2015	**3,267**	**–**	**–**	**2,384**	**1,497**	**1,562**	**511**	**9,221**

The fair value of the consideration has been assessed in accordance with the Sale & Purchase Agreements. The non-current element of the expected settlement has been discounted using a pre-tax discount rate that reflects the time value of money.

The total deferred consideration may vary between £2.0m and £14.4m, depending on the underlying trading performance of the businesses acquired.

36. Related party transactions
Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions
Mr S Rawlings, Mr P King and Mr P Broider are shareholders and Directors of La Maison Du Lac Limited. Lakehouse Contracts Limited, a wholly-owned subsidiary of Lakehouse Holdings Limited, incurs rent charges on a property owned by La Maison Du Lac Limited at an annual rate of £112,880 (2014: £112,880).

As at 30 September 2015 La Maison Du Lac Limited had a loan owed to Lakehouse Contracts Limited amounting to £381,143 (2014: £499,066). The loan is unsecured and interest free and repayable within one year.

Mr S Rawlings is a Director of Building Lives Training Academy Limited ('Building Lives'), a community interest company. At 30 September 2015 Building Lives owed the Group £46,636 (2014: £490,304) for services provided which is repayable on normal commercial terms. The total value of services provided by the Group to Building Lives was £775,832 (2014: £693,903).

The Company's subsidiary, Everwarm Limited, leases premises in Bathgate, West Lothian, from Xafinity Pension Trustees Limited (as corporate trustee of the Everwarm Group SIPP). Mr M McMahon, a Director of the Company, is a beneficiary of the Everwarm Group SIPP. The lease was set up on an arm's length basis with annual rentals determined based on an independent rental valuation. £75,000 of rents were paid by the Group in 2015 (2014: £34,375). The lease terminates in nine years.

The Non-Executive Director of Lakehouse plc and Chairman of the Audit Committee, Johnathan Ford, is an Executive Director of Homeserve plc. The Company's subsidiary undertaking, Sure Maintenance Group Limited, provided services to Homeserve plc in the period from 11 September 2015 to 30 September 2015 valued at £85,332.

The Company's subsidiary, Everwarm Limited, provides services to Warmworks, a joint venture of Everwarm. £124,000 of services were provided in 2015 (2014: £nil), all of which was outstanding at 30 September 2015.

Remuneration of key management personnel
The remuneration of the Directors and members of the Board, together with other key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 – Related Party Disclosures. The key management personnel are the members of the Group's Executive Management Team. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Report.

	2015 Number	2014 Number
Number of members of the Group Management Board at each year end	**13**	17

	2015 £'000	2014 £'000
Short term employee benefits	**2,591**	1,908
Post-employment benefits	**202**	154
Fees payable	**135**	198
Termination benefits	**–**	29
Share-based payments	**348**	51
	3,276	2,340

Directors' transactions
The following amounts were owed to the Company by Directors and other key management personnel in respect of unpaid share premium relating to the share capital of Lakehouse Holdings Limited:

	2015 £'000	2014 £'000
Mr S Black	**–**	92
Mr S Rawlings	**–**	11
Other key management personnel	**–**	239
	–	342

Key management personnel transactions
A member of the key management personnel is a member of the partnership that owns a property that is leased to the Group. The lease was set up on an arm's length basis with annual rentals determined based on an independent rental valuation. £18,000 of rents were paid by the Group in 2015 (2014: £18,000). The lease terminates in seven years with a two year break clause.

A member of the key management personnel is a Director and shareholder of the Company that owns property that is leased to the Group. The leases were set up on an arm's length basis with annual rentals determined based on an independent rental valuation. £70,390 of rents were paid by the Group in 2015 (2014: £81,295). The leases terminate in eight years.

A member of the key management personnel is a Director and 50% shareholder of Foster Renewable Energies Limited, a company which provides subcontractor services to Foster Property Maintenance, a subsidiary company. The contracts pursuant to which such services were set up on an arm's length basis, including prices set within prevailing market parameters. £1,549,357 was paid to Foster Renewable Energies Limited by the Group in 2015 (2014: £3,842,953). £23,395 was payable to Foster Renewable Energies Limited by the Group at 30 September 2015 (2014: £19,633). There is no contractual commitment to use Foster Renewable Energies Limited.

37. Events after the reporting date

On 2 November 2015, the Group announced the acquisition of the entire share capital of Aaron Heating Services Ltd ('Aaron') for an initial cash consideration of £6.7m and further deferred contingent consideration of up to a maximum of £3.3m, which is dependent on Aaron's financial performance in the period up to 30 September 2017. The price reflects the acquisition of Aaron on a cash and debt free basis. Aaron is a heating services and installations company, providing services primarily for Housing Associations and Local Authorities in East Anglia and the surrounding region and compliments the Group's other gas compliance businesses. The calculation of Aaron's net assets will be agreed not less than 60 business days following completion of the acquisition and as such, it is not possible currently to provide a split of acquisition consideration between net assets acquired, intangible assets and goodwill. A fair value exercise will be conducted on all balance sheet items once the Net Assets have been agreed. In the financial year ended 31 March 2015, Aaron reported a turnover of £26.3m and profit before tax of £0.9m. Aaron had gross assets of £10.5m as at 31 March 2015.

On 4 December 2015, the Group extended the terms of its Revolving Credit facility from £30m to £45m. All other terms were unchanged.

On 9 December 2015, the Group announced the acquisition of the entire share capital of Precision Lift Services Limited ('Precision') for an initial cash consideration of £5.5m and further deferred contingent consideration of up to a maximum of £3.0m, which is dependent on Precision's financial performance in the period up to 30 September 2018. The price reflects the acquisition of Precision on a cash and debt free basis. Precision is a lift installation and servicing company, providing services primarily for Housing Associations and Local Authorities in London and the South East and provides a complimentary activity to the Group's other compliance businesses. The calculation of Precision's net assets will be agreed not less than 60 business days following completion of the acquisition and as such, it is not possible currently to provide a split of acquisition consideration between net assets acquired, intangible assets and goodwill. A fair value exercise will be conducted on all balance sheet items once the Net Assets have been agreed. In the financial year ended 31 August 2014, Precision reported a turnover of £11.6m and profit before tax of £0.5m. Precision had gross assets of £3.3m as at 31 August 2014.

Company balance sheet
At 30 September 2015

	Notes	2015 £'000
Fixed assets		
Interests in subsidiaries	40	**12,392**
Current assets		
Debtors – due within one year	41	**41**
Debtors – due after more than one year	41	**40,592**
Income tax receivable		**421**
Cash at bank and in hand		**–**
		41,054
Creditors: Amounts falling due within one year		
Trade creditors	42	**1,102**
Bank loans and overdrafts		**4,367**
		5,469
Net current assets		**35,585**
Total assets less current liabilities		**47,977**
Creditors: Amounts falling due after more than one year		
Trade creditors	42	**2,004**
Provisions for liabilities	43	**200**
Net assets		**45,773**
Capital and reserves		
Called up share capital	44	**15,753**
Share premium account	45	**25,314**
Own shares		**(290)**
Share-based payment reserve	46	**549**
Profit and loss account		**4,447**
Shareholders' funds		**45,773**

The financial statements of Lakehouse plc (registered number 09411297) were approved by the Board of Directors and authorised for issue on 9 December 2015. They were signed on its behalf by:

J J C Simpson
Director

The accompanying notes are an integral part of this Company balance sheet.

Company statement of changes in equity

For the period from 28 January 2015 to 30 September 2015

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Own shares £'000	Profit and loss account £'000	Total equity £'000
Profit for the period	–	–	–	–	4,447	4,447
Issue of share capital	15,753	25,314	–	–	–	41,067
Share-based payment charge	–	–	549	–	–	549
Purchase of own shares	–	–	–	(290)	–	(290)
At 30 September 2015	**15,753**	**25,314**	**549**	**(290)**	**4,447**	**45,773**

Notes to the Company financial statements

For the period from 28 January 2015 to 30 September 2015

Company only

The following Notes 38 to 46 relate to the Company only position for year ended 30 September 2015.

38. Accounting policies

Statement of compliance and basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the period from incorporation to 30 September 2015 the Company has decided to prepare its first set of financial statements in accordance with FRS 101 (electing to early adopt) as issued by the Financial Reporting Council. Accordingly the financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

Lakehouse plc was incorporated on 28 January 2015 in anticipation of the IPO of the Group.

On 17 March 2015 Lakehouse plc acquired 100% of the ordinary share capital of Lakehouse Holdings Limited through a share for share exchange.

As part of a restructuring accompanying the Initial Public Offering ('IPO') of the Group on 23 March 2015, Lakehouse plc replaced Lakehouse Holdings Limited as the Group's ultimate parent Company by way of a Share exchange agreement. On 23 March 2015 Lakehouse plc was listed on the London Stock Exchange.

As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent Company is omitted by virtue of the exemption available in section 408 of the Companies Act 2006. The Company's profit for the period was £4,447,000.

The financial statements have been prepared on the historical cost basis. The principle accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements except as noted below.

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Cost is defined as the consideration transferred and is measured at fair value. Fair value is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquired company and the equity interest issued by the Company in exchange for control of the acquired company. Acquisition-related costs are recognised in profit or loss as incurred.

When the consideration transferred by the Company includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred. Changes in fair value of the contingent consideration are adjusted when identified with corresponding adjustments dependent upon on how the contingent consideration is classified. Where contingent consideration is classified as equity any change in fair value is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IAS 39: Financial instruments, or IAS 37: Provisions, contingent liabilities and contingent assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Impairment of investments

At each balance sheet date, the Company tests the carrying amounts of investments to determine whether those investments have suffered an impairment loss. The recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

39. Critical accounting judgements and key sources of uncertainty

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

(i) Assessment of investment cost
The key judgements and estimates made in determining the fair value of the consideration transferred were:
- The valuation of equity and equity-based financial instruments issued by the Company as part of the consideration transferred
- The appropriate discount factor to be applied to any future consideration to be paid
- An estimation of future revenues and profit of the related businesses which determine the amount of the future consideration to be paid
- Identification of and judgements around the uncertainties of the valuation model and its sensitivity to error in its key assumptions

(ii) Impairment of investments
The Company reviews the valuation of all its investments for impairment annually or if events and changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. See Note 14 for further information.

40. Investment in subsidiaries

	2015 £'000
Investment in subsidiaries	
Additions – acquisitions	**12,392**
Cost carried forward	**12,392**
Analysis of net book value:	
Original cost of acquisitions	**12,392**
	12,392

Further information is provided in Note 17.

41. Debtors

	2015 £'000
Amounts falling due within one year	
Other debtors	**41**
Amounts falling due more than one year	
Amounts owed by Group undertakings	**40,589**
Other debtors	**3**
	40,592

The Directors consider that the carrying amount of trade receivables approximates to their fair value. There is no provision against amounts receivable and no amounts are past due or are impaired.

42. Creditors

	2015 £'000
Creditors: Amounts falling due within one year	
Trade creditors	**63**
Accruals and deferred income	**951**
Social security and other taxes	**73**
Other creditors	**15**
	1,102
Creditors: Amounts falling due more than one year	
Amounts owed to Group undertakings	**2,004**

43. Provisions for liabilities

	Legal and other £'000
Additional provision	200
At 30 September 2015	**200**

Further information is provided in Note 24.

44. Share capital
Allotted, called-up and fully paid

	Number	£
Ordinary shares of £0.10 each	157,527,103	15,752,710

The Company was incorporated on 28 January 2015.

Details of the movements in share capital together with the key rights and preferences of the share capital are disclosed in Note 27.

45. Share premium account
The share premium account represents amounts received in excess of the nominal value of shares on issue of new shares, net of the direct costs associated with issuing those shares. Issue costs in relation to the issue of shares on IPO of £1,315,000 have been charged to the share premium account.

46. Share-based payments
During the period ended 30 September 2015 the Company had five share-based payment arrangements, which are described in Note 28.

Corporate directory

Company registration number
9411297

Directors
Stuart Black (Executive Chairman)
Sean Birrane (Chief Executive Officer)
Jeremy Simpson (Chief Financial Officer)
Michael McMahon (Executive Director)
Chris Geoghegan (Non-Executive Director and Senior Independent Director)
Jill Ainscough (Non-Executive Director)
Johnathan Ford (Non-Executive Director)

Company Secretary
Simon Howell

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Cambridge CB2 1RY

Principal bankers
The Royal Bank of Scotland
280 Bishopsgate
London EC2M 4RB

Legal advisers to the Company
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1 Wood Street
London EC2V 7WS

Financial adviser and stockbroker
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Corporate calendar
Annual General Meeting
5 February 2016

Announcement of Interim Results
May 2016

Announcement of Final Results
December 2016

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