

Prospectus Lakehouse plc



Prospectus  
Lakehouse plc



# Lakehouse



**This Prospectus, which comprises a prospectus relating to Lakehouse plc prepared in accordance with the Prospectus Rules made under section 73A of FSMA, has been approved by the FCA and has been made available to the public in accordance with paragraph 3.2 of the Prospectus Rules.**

Applications have been made: (i) to the UK Listing Authority for all of the Shares to be admitted to the premium listing segment of the Official List and (ii) to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission to trading on the London Stock Exchange's main market for listed securities constitutes admission to trading on a regulated market. No application has been, or is currently intended to be, made for the Shares to be admitted to listing or trading on any other stock exchange. Under the Offer, 33,707,865 Existing Shares, in aggregate, are being offered by the Selling Shareholders for sale and 33,707,866 New Shares, in aggregate, are being offered by the Company for subscription. It is expected that Admission will become effective, and that dealings will commence in the Shares on the London Stock Exchange, at 8.00 a.m. on 23 March 2015 (International Security Identification Number: GB00BSKS1M86).

The Company and its Directors (whose names appear on page 38 of this Prospectus) accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

**Prospective investors are advised to examine all the risks that might be relevant in connection with an investment in the Shares. Prospective investors should read the entirety of this Prospectus and, in particular, the section entitled Part 1 (Risk Factors), for a discussion of certain risks and other factors that should be considered in connection with any investment in the Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if one or more of the risks described in this Prospectus were to occur, investors may find that their investment is materially and adversely affected. Accordingly, an investment in the Shares is only suitable for investors who are knowledgeable in investment matters and who are able to bear the loss of part or, potentially the whole, of their investment.**



## **Lakehouse plc**

*(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 9411297)*

## **Prospectus**

**Offer of 33,707,865 Existing Shares and 33,707,866 New Shares, in each case  
at an Offer Price of 89 pence per Offer Share**

**Admission of all Shares to the premium listing segment of the Official List  
and to trading on the Main Market of the London Stock Exchange**

*Sponsor, financial adviser, sole bookrunner and broker*

## **Peel Hunt LLP**

The Selling Shareholders are offering 33,707,865 Existing Shares, in aggregate, for sale under the Offer and the Company is offering 33,707,866 New Shares for subscription under the Offer. The New Shares will rank *pari passu* in all respects with the Existing Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Existing Shares after Admission.

### **Ordinary share capital immediately following Admission**

<i>Number of Shares</i>	<i>Aggregate nominal value of the Shares</i>
157,527,103	£15,752,710.30

Peel Hunt has been appointed as sponsor, financial adviser, sole bookrunner and broker to the Company. Peel Hunt is authorised and regulated in the United Kingdom by the FCA and is acting exclusively for the Company and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Offer, the contents of this Prospectus or any transaction or arrangement referred to in this Prospectus. Peel Hunt and its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company, for which they would have received customary fees. Peel Hunt and its affiliates may provide such services to the Company or members of the Group in the future.

Unless required to do so by law or regulation, the Company does not envisage publishing any supplementary prospectus or an update statement, as the case may be.

Recipients of this Prospectus are authorised solely to use this Prospectus for the purpose of considering an acquisition of, or subscription for, the Shares, and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information in it for any purpose other than considering an investment in the Shares. Recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus. This Prospectus is personal to each recipient and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Shares.



**This Prospectus does not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful or restricted by law and, in particular, is not for distribution in Australia, Canada, Japan, the Republic of South Africa, New Zealand or the United States of America (the “United States”) (including its territories and possessions, any state of the United States and the District of Columbia). The Shares have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or jurisdiction of the United States or under applicable securities laws in Australia, Canada, Japan, the Republic of South Africa or New Zealand. The Shares offered by this Prospectus may not and will not be offered, sold, resold, pledged, delivered, distributed or transferred, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Shares are being offered and sold outside the United States in “offshore” transactions exempt from the registration requirements of the Securities Act in reliance on Regulation S, or another exemption from, or in, a transaction not subject to the registration requirements of the Securities Act. There will be no public offering of the Shares in the United States.**

**The Shares offered by this Prospectus have not been approved or disapproved by the SEC, any state securities commission in the United States or any other United States regulatory authority, nor have any such authorities passed upon, or endorsed the merits of, the Offer or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.**

Apart from the responsibilities and liabilities, if any, that may be imposed on Peel Hunt by FSMA or the regulatory regime established under it, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Peel Hunt, or any of its affiliates or representatives, accepts any responsibility whatsoever for, and makes no representation or warranty, express or implied, as to the contents of, this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Peel Hunt, its affiliates and representatives accordingly disclaim, to the fullest extent permitted by applicable law, all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

Prior to making any decision as to whether to invest in the Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company, the Shares and the terms of the Offer, including the merits and risks involved. Prospective investors also acknowledge that: (i) they have not relied on Peel Hunt or any person affiliated with Peel Hunt in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been so authorised by, or on behalf of, the Company, the Selling Shareholders, Peel Hunt, the officers or employees of the Company or any other person. Neither the delivery of this Prospectus nor any subscription, sale or purchase made under it shall, under any circumstances, create any implication that there has been no change in the business affairs of the Company or the Group since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to its date.

None of the Company, Peel Hunt, the Selling Shareholders or any of their respective affiliates or representatives is making any representation to any prospective investor in the Shares regarding the legality of an investment in the Shares by such prospective investor under the laws applicable to such prospective investor. The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice.

In connection with the Offer, Peel Hunt and any of its affiliates, acting as an investor for its or their own account(s), may subscribe for or purchase Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in the Shares, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed, sold, purchased, acquired, placed or otherwise dealt with should be read as including any issue, offer or sale to, or subscription, purchase, acquisition, placement or dealing by, Peel Hunt and any of its affiliates acting as an investor for its or their own account(s). Peel Hunt does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

#### **NOTICE TO CERTAIN INVESTORS**

The Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective investors should read the restrictions described under paragraph 7 of Part 12 (Details of the Offer). Each investor in the Shares will be deemed to have made the relevant representations described in that paragraph.

The distribution of this Prospectus and the offer of the Shares in certain jurisdictions may be restricted by law. Other than in the United Kingdom, no action has been or will be taken by the Company, the Selling Shareholders or Peel Hunt to permit a public offering of the Shares or to permit the possession or distribution of this Prospectus (or any other offering or publicity materials in connection therewith). In particular, no actions have been taken to allow for a public offering of the Shares under the applicable securities laws of Australia, Canada, Japan, the Republic of South Africa, New Zealand or the United States. Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The date of this Prospectus is 18 March 2015.

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## SUMMARY INFORMATION

Prospectus summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A to E (A.1 to E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding that Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable” under the heading “Disclosure requirement”.

Section A – Introduction and warnings		
<b>A.1.</b>	<b>Warnings</b>	<p>This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor, including in particular the risk factors.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
<b>A.2.</b>	<b>Resale by Financial Intermediaries</b>	Not applicable. The Company is not engaging any financial intermediaries and has not given consent to the use of this Prospectus for subsequent resale or final placement of Shares by financial intermediaries.
Section B – Issuer		
<b>B.1</b>	<b>Legal and Commercial Name</b>	The Company’s legal and commercial name is Lakehouse plc.
<b>B.2.</b>	<b>Domicile; Legal form; Legislation; Country of Incorporation</b>	The Company was incorporated as a public company limited by shares in England and Wales under the Companies Act on 28 January 2015 with registered number 9411297. It is domiciled in the United Kingdom.
<b>B.3.</b>	<b>Issuer’s Current Operations and Principal Activities</b>	Lakehouse is a leading asset and energy support services business, focused on customers in the UK outsourced public and regulated services sectors. The Group delivers a range of essential services through a successful model based on long term contractual relationships with local authorities, housing associations and energy companies. The Group was founded in 1988 and is headquartered in Romford, Essex; currently employing approximately 1,250 staff from a number of offices situated throughout London, the South of England, the East of England and

		<p>Scotland. Lakehouse has focused its business on those markets where the Directors believe future prospects are best-suited to the Group's strengths underpinned by demographic, regulatory, environmental and political drivers.</p> <p>The Group operates through four business Divisions: Regeneration, Compliance, Energy Services and Construction.</p> <p>The Regeneration Division provides planned and reactive repair and maintenance for social housing assets. The Division currently operates through two businesses, each utilising a distinct service delivery model and with a specific geographical focus.</p> <p>Regeneration (South) is the Group's original regeneration business and operates in London and the South East delivering planned maintenance services to its social landlord customers through an established network of third party sub-contractors.</p> <p>Regeneration (East) was established in 2013 following the acquisition of Foster Property Maintenance and operates in East Anglia and the East Midlands delivering planned and responsive maintenance services to its social landlord customers utilising a self-employed sub-contractor workforce.</p> <p>The Compliance Division provides gas, fire, electric, air and water compliance services a number of which are regulated, primarily to local authority and housing association customers. The current geographic focus of the Division is London, the South and South East of England, however, it also operates nationally as specific circumstances require.</p> <p>The services provided by the Energy Services Division include the installation of physical energy saving measures, such as solid wall insulation, loft and cavity wall insulation and domestic energy efficient heating and renewable technology systems as well as advice to improve energy efficiency. The Energy Services Division operates through a contracting structure whereby it is engaged by owners and landlords to undertake energy efficiency and sustainability works on social and private housing assets and also by energy companies who provide partial funding for these works in order to meet legislative carbon reduction/saving targets. Services provided by the Energy Services Division are part-funded by UK Government-backed subsidy schemes and are delivered to both the private and social housing and public and commercial property sectors.</p> <p>The Construction Division delivers extension, refurbishment and some small scale new build works, primarily in the education market and with a particular focus on school projects. In addition, the Division also carries out work in relation to other public buildings (such as fire stations, libraries, crematoria, leisure centres, community centres and hospitals and other health facilities) as well as a number of Ministry of Defence projects. The Construction Division's local authority customer base is focused on London and the South East.</p>
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B.4a	Significant Trends	<p>The UK's outsourced public services sectors, which represent the Group's core markets across its four Divisions, are driven primarily by UK Government and local authority policies with regard to expenditure on improving and maintaining assets, including social housing stock and public buildings. These policies cover both the level of expenditure available to specific asset groups and services as well as the extent to which such services are provided by public sector bodies directly or are outsourced to external service providers, such as Lakehouse. In recent years, there has been a growing trend towards the devolution of control over budgetary planning from UK Government to local authorities and housing associations. As a consequence, levels of expenditure and service provision policies increasingly differ between different public sector bodies across the UK. The Directors believe the Group's focus on the UK public sectors, where there is a significant level of legislated non-discretionary spend, together with a robust financial position, positions the Group favourably to weather challenging economic conditions.</p> <p>The last years following the global financial crisis have seen significant austerity measures introduced across the public sector. However, notwithstanding the reduction in public spending, the Group has achieved significant continuous growth over the past six years as the nature of the services it provides to local authority, housing association and energy company clients and customers have been relatively protected from, and proven relatively resilient to, those UK Government spending cuts. Given the underlying demographic, regulatory and environmental drivers for the Group's services, the Directors expect this to continue.</p> <p>The regeneration services market is focused on social landlords comprising, housing associations, local authorities, ALMOs and PRPs. All social landlords are legally obliged to maintain their housing stock to a designated standard and many outsource their programmes of work to private sector service providers such as Lakehouse. Given landlords' legal obligations with respect to maintenance standards imposed on the social housing sector, the market is generally steady and predictable, affording service providers such as the Group with good visibility of future revenue streams.</p> <p>In addition, there is 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 the refurbishment, repair and maintenance of that stock.</p> <p>UK government programmes, including Decent Homes, and policy initiatives, such as the Housing Revenue Account ("HRA") reforms, have supported structural changes within the sector which have resulted in increased expenditure on the refurbishment and maintenance of social housing stock as well as changes in the approach to stock ownership and management, such as reducing local authority ownership, increasing long term planning and framework agreements, and consolidating suppliers.</p>
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		<p>By their nature, historically compliance services have generated steady revenue streams as such services are frequently mandatory for many of the Division's customers and driven by regulation. The regulatory environment has placed increasing obligations on local authorities and social housing landlords to maintain housing stock and public buildings to applicable safety standards and this, in turn, has led to the growth and development of the gas, fire and water safety industry.</p> <p>Energy sustainability and efficiency have gained increasing prominence on the political agenda with the goal of minimising CO<sub>2</sub> emissions from housing stock and addressing fuel poverty. A household is deemed to be in fuel poverty if 10 per cent. or more of the household's income is spent on energy-related bills. Energy costs have risen sharply in recent years, with further price increases expected in the future. As a result, the number of people falling into fuel poverty has risen and is expected to continue to rise. Both local authorities and housing associations have a legal obligation to tenants who are in this situation and to find ways to lower their energy bills. Levels of fuel poverty are generally higher in non-traditional housing stock and there is a significant amount of such stock in London and the South East, a core geographic market for the Group.</p> <p>Specific UK Government sponsored schemes such as the Energy Company Obligation ("ECO") place an obligation on the major energy companies to fund measures that achieve carbon saving or reduce fuel poverty. Energy companies are able to satisfy these obligations by, inter alia, entering into bilateral agreements with installation companies, such as the Group, and social landlords to deliver the relevant works with the energy company able to claim back the carbon tonnage saved towards its legislative targets.</p> <p>Other market growth drivers in the energy sustainability and efficiency market are the smart metering roll-out and electric vehicle charging as a consequence of the increasing uptake of electric vehicles, both of which are potential growth areas for the Energy Services Division.</p> <p>Whilst public sector funding for the construction, extension and refurbishment of public buildings has been reduced in recent years and further cuts or delayed spending remain likely whilst the UK continues to emerge from recession, in the 2013 budget, the UK Government announced that education and health were two departments that will continue to be protected from further cuts. Education will be protected from cuts until at least the 2015/16 spending round when it will be assessed again. As a consequence, the Construction Division is relatively well-protected, at least in the short term, from any significant decrease in available public funding for the projects on which it works. Given the current shortage of school places referred to below and that this is likely to continue through the education system over the medium to long term, the Directors believe that, given its niche sector focus, the Division should continue to remain relatively well insulated from any changes in public spending focus in the education sector as a whole.</p>
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<b>B.5</b>	<b>Group Structure</b>	<p>As at the date of this Prospectus, the Group comprises the Company and its subsidiaries and subsidiary undertakings which will form part of the Group following Admission. The Company holds (directly and through certain wholly-owned intermediate holding companies) the Group's operating companies.</p>																																										
<b>B.6</b>	<b>Notifiable Interests</b>	<p>As at the date of this Prospectus, the following persons each hold, directly or indirectly, three per cent. or more of the issued share capital of the Company:</p> <p>Steven Rawlings Carol King Christine Jones Richard Green Paul King Philip Broider Stuart Black Sean Birrane Alan Cox Dean Ball Michael McMahon Lydia Graham Kennedy Saunders Robert Stirling</p> <p>Immediately following Admission, insofar as is known to the Company, the following parties will, directly or indirectly, hold three per cent. or more of the issued share capital of the Company:</p> <table> <tr> <th><i>Shareholder</i></th><th><i>Number of Shares</i></th><th><i>Percentage of Total Issued Share Capital at Admission</i></th></tr> <tr> <td>Steven Rawlings</td><td>24,409,196</td><td>15.50%</td></tr> <tr> <td>Slater Investments Limited</td><td>9,353,932</td><td>5.94%</td></tr> <tr> <td>Michael McMahon</td><td>7,892,460</td><td>5.01%</td></tr> <tr> <td>Paul King</td><td>5,951,840</td><td>3.78%</td></tr> <tr> <td>Hermes Investment Management Limited</td><td>5,617,977</td><td>3.57%</td></tr> <tr> <td>SFM UK Management LLP</td><td>5,617,977</td><td>3.57%</td></tr> <tr> <td>Stuart Black</td><td>5,463,684</td><td>3.47%</td></tr> <tr> <td>Legal &amp; General Investment Management Limited</td><td>5,393,258</td><td>3.42%</td></tr> <tr> <td>Carol King</td><td>5,337,929</td><td>3.39%</td></tr> <tr> <td>Investec Asset Management Limited</td><td>5,337,078</td><td>3.39%</td></tr> <tr> <td>Kennedy Saunders</td><td>4,955,836</td><td>3.15%</td></tr> <tr> <td>Sean Birrane</td><td>4,734,684</td><td>3.01%</td></tr> <tr> <td>Lydia Graham</td><td>4,720,950</td><td>3.00%</td></tr> </table>	<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of Total Issued Share Capital at Admission</i>	Steven Rawlings	24,409,196	15.50%	Slater Investments Limited	9,353,932	5.94%	Michael McMahon	7,892,460	5.01%	Paul King	5,951,840	3.78%	Hermes Investment Management Limited	5,617,977	3.57%	SFM UK Management LLP	5,617,977	3.57%	Stuart Black	5,463,684	3.47%	Legal & General Investment Management Limited	5,393,258	3.42%	Carol King	5,337,929	3.39%	Investec Asset Management Limited	5,337,078	3.39%	Kennedy Saunders	4,955,836	3.15%	Sean Birrane	4,734,684	3.01%	Lydia Graham	4,720,950	3.00%
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B.7	Historical Financial Information	<p>The tables below, which have been extracted without material adjustment from Part 10 (Historical Financial Information), set out summary financial information of the Operating Group (including Foster Property Maintenance and Everwarm for the periods following their respective acquisitions) for the years ended 30 September 2012, 30 September 2013 and 30 September 2014 and summary financial information for Foster Property Maintenance and Everwarm for the relevant periods prior to their respective acquisitions:</p> <p><b>Operating Group</b></p> <p><i>Consolidated Statement of Comprehensive Income</i></p> <table><tr><td></td><td><i>For the year ended 2014 £'000 (audited)</i></td><td><i>For the year ended 2013 £'000 (audited)</i></td><td><i>For the year ended 2012 £'000 (audited)</i></td></tr><tr><td>Revenue</td><td>302,488</td><td>191,803</td><td>151,533</td></tr><tr><td>Cost of sales</td><td>(271,639)</td><td>(174,398)</td><td>(137,815)</td></tr><tr><td><b>Gross profit</b></td><td><b>30,849</b></td><td><b>17,405</b></td><td><b>13,718</b></td></tr><tr><td>Other operating expenses</td><td>(20,040)</td><td>(11,081)</td><td>(8,328)</td></tr><tr><td><b>Adjusted EBITA</b></td><td><b>10,809</b></td><td><b>6,324</b></td><td><b>5,390</b></td></tr><tr><td>Exceptional costs</td><td>(4,405)</td><td>(491)</td><td>(267)</td></tr><tr><td>Amortisation of intangible assets</td><td>(5,101)</td><td>(1,462)</td><td>(1,011)</td></tr><tr><td><b>Operating profit</b></td><td><b>1,303</b></td><td><b>4,371</b></td><td><b>4,112</b></td></tr><tr><td>Finance expense</td><td>(1,380)</td><td>(302)</td><td>(258)</td></tr><tr><td>Investment income</td><td>181</td><td>28</td><td>60</td></tr><tr><td><b>Profit before tax</b></td><td><b>104</b></td><td><b>4,097</b></td><td><b>3,914</b></td></tr><tr><td>Taxation</td><td>(485)</td><td>(1,136)</td><td>(1,057)</td></tr><tr><td><b>(Loss)/profit for the year</b></td><td><b>(381)</b></td><td><b>2,961</b></td><td><b>2,857</b></td></tr></table> <p><i>Consolidated Statement of Financial Position</i></p> <table><tr><td></td><td><i>As at 30 September 2014 (audited) £'000</i></td><td><i>As at 30 September 2013 (audited) £'000</i></td><td><i>As at 30 September 2012 (audited) £'000</i></td></tr><tr><td>Total assets</td><td>149,371</td><td>71,469</td><td>59,615</td></tr><tr><td>Total liabilities</td><td>100,565</td><td>55,835</td><td>47,281</td></tr><tr><td><b>Net assets</b></td><td><b>48,806</b></td><td><b>15,634</b></td><td><b>12,334</b></td></tr></table>		<i>For the year ended 2014 £'000 (audited)</i>	<i>For the year ended 2013 £'000 (audited)</i>	<i>For the year ended 2012 £'000 (audited)</i>	Revenue	302,488	191,803	151,533	Cost of sales	(271,639)	(174,398)	(137,815)	<b>Gross profit</b>	<b>30,849</b>	<b>17,405</b>	<b>13,718</b>	Other operating expenses	(20,040)	(11,081)	(8,328)	<b>Adjusted EBITA</b>	<b>10,809</b>	<b>6,324</b>	<b>5,390</b>	Exceptional costs	(4,405)	(491)	(267)	Amortisation of intangible assets	(5,101)	(1,462)	(1,011)	<b>Operating profit</b>	<b>1,303</b>	<b>4,371</b>	<b>4,112</b>	Finance expense	(1,380)	(302)	(258)	Investment income	181	28	60	<b>Profit before tax</b>	<b>104</b>	<b>4,097</b>	<b>3,914</b>	Taxation	(485)	(1,136)	(1,057)	<b>(Loss)/profit for the year</b>	<b>(381)</b>	<b>2,961</b>	<b>2,857</b>		<i>As at 30 September 2014 (audited) £'000</i>	<i>As at 30 September 2013 (audited) £'000</i>	<i>As at 30 September 2012 (audited) £'000</i>	Total assets	149,371	71,469	59,615	Total liabilities	100,565	55,835	47,281	<b>Net assets</b>	<b>48,806</b>	<b>15,634</b>	<b>12,334</b>
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<b>Consolidated Statement of Cash Flows</b>			
	<i>For the year ended 2014 £'000 (audited)</i>	<i>For the year ended 2013 £'000 (audited)</i>	<i>For the year ended 2012 £'000 (audited)</i>
Cash generated from operations	15,339	6,057	4,813
Net interest paid and taxation	(8,826)	(2,410)	(1,450)
Net cash generated from operating activities	6,513	3,647	3,363
Net cash used in investing activities	(16,461)	(5,978)	(4,501)
Net cash generated from financing activities	5,382	2,643	2,610
Net (decrease)/increase in cash and cash equivalents	(4,566)	312	1,472
Cash and cash equivalents at beginning of year	8,796	8,484	7,012
Cash and cash equivalents at end of year	4,230	8,796	8,484
<b>Foster Property Maintenance Statement of Comprehensive Income</b>			
	<i>21 days to 21 Oct 2013 £'000 (audited)</i>	<i>For the year ended 30 Sep 2013 £'000 (audited)</i>	<i>For the year ended 30 Sep 2012 £'000 (audited)</i>
Revenue	3,681	45,808	26,560
Cost of sales	(2,624)	(37,344)	(22,193)
<b>Gross profit</b>	1,057	8,464	4,367
Other operating income	9	140	43
Administrative expenses	(198)	(1,220)	(945)
<b>Operating profit</b>	868	7,384	3,465
Finance costs	(1)	(60)	(49)
Investment income	10	19	10
<b>Profit before tax</b>	877	7,343	3,426
Taxation	(214)	(1,746)	(863)
<b>Profit for the period/year</b>	663	5,597	2,563
<b>Statement of Financial Position</b>			
	<i>As at 21 Oct 2013 £'000 (audited)</i>	<i>As at 30 Sep 2013 £'000 (audited)</i>	<i>As at 30 Sep 2012 £'000 (audited)</i>
Total assets	19,967	18,795	10,878
Total liabilities	7,539	7,030	4,710
<b>Net assets</b>	12,428	11,765	6,168



<b>Statement of Cash Flows</b>			
	<i>21 days to 21 Oct 2013 £'000</i>	<i>For the year ended 30 Sep 2013 £'000</i>	<i>For the year ended 30 Sep 2012 £'000</i>
Cash generated from operations	3,925	3,615	1,682
Net interest paid and taxation	(350)	(1,366)	(813)
Net cash generated from operating activities	3,575	2,249	869
Net cash from/(used in) investing activities	1,596	205	(291)
Net cash used in financing activities	(328)	(517)	(385)
Net increase in cash and cash equivalents	4,843	1,937	193
Cash and cash equivalents at beginning of period/year	3,477	1,540	1,347
Cash and cash equivalents at end of period/year	8,320	3,477	1,540
<b>Everwarm</b>			
<b>Statement of Comprehensive Income</b>			
	<i>01 Oct 2013 to 16 Apr 2014 £'000 (audited)</i>	<i>For the year ended 2013 £'000 (audited)</i>	<i>For the year ended 2012 £'000 (audited)</i>
<b>Revenue</b>			
Revenue from services	39,061	48,372	26,804
Cost of sales	(24,964)	(32,488)	(19,280)
<b>Gross profit</b>	14,097	15,884	7,524
Administrative expenses	(3,921)	(4,231)	(2,553)
<b>Operating profit</b>	10,176	11,653	4,971
Finance expense	(7)	(7)	(15)
Investment income	26	5	–
<b>Profit before tax</b>	10,195	11,651	4,956
Taxation	(2,357)	(2,760)	(1,253)
<b>Profit for the period/year</b>	7,838	8,891	3,703
<b>Statement of Financial Position</b>			
	<i>At 16 Apr 2014 £'000 (audited)</i>	<i>At 30 Sep 2013 £'000 (audited)</i>	<i>At 30 Sep 2012 £'000 (audited)</i>
Total assets	34,062	19,977	7,370
Total liabilities	14,075	7,853	4,137
<b>Net assets</b>	19,987	12,124	3,233

		<b>Statement of Cash Flows</b>		
		<i>01 Oct 2013 to 16 Apr 2014 £'000 (audited)</i>	<i>For the year ended 30 Sep 2013 £'000 (audited)</i>	<i>For the year ended 30 Sep 2012 £'000 (audited)</i>
	Cash generated from operations	9,618	7,258	1,821
	Net interest received/(paid) and taxation	19	(863)	(30)
	Net cash generated from operating activities	9,637	6,395	1,791
	Net cash used in investing activities	(92)	(173)	(84)
	Net cash used in financing activities	(211)	(64)	(662)
	Net increase in cash and cash equivalents	9,334	6,158	1,045
	Cash and cash equivalents at beginning of period/year	7,342	1,184	139
	Cash and cash equivalents at end of period/year	16,676	7,342	1,184
	<p>Certain significant changes to the Operating Group's financial condition and results of operations occurred during 2012, 2013 and 2014. These are described below.</p> <p><b>Operating Group</b></p> <p><i>Revenue</i></p> <p>The Operating Group's revenue for the year ended 30 September 2014 increased by 57.7 per cent. to £302.5 million from £191.8 million for the year ended 30 September 2013. Of this increase, £54.1 million and £22.5 million represented the post-acquisition contributions of Foster Property Maintenance and Everwarm, respectively. The Operating Group's revenue for the year ended 30 September 2013 increased by 26.6 per cent. to £191.8 million from £151.5 million for the year ended 30 September 2012. Of this increase, £6.7 million represented the post-acquisition contribution of Allied Protection.</p> <p><i>Cost of Sales</i></p> <p>The Operating Group's cost of sales for the year ended 30 September 2014 increased by 55.8 per cent. to £271.6 million from £174.4 million for the year ended 30 September 2013, principally due to the acquisitions of Foster Property Maintenance and Everwarm, and its cost of sales for the year ended 30 September 2013 increased by 26.5 per cent. to £174.4 million from £137.8 million for the year ended 30 September 2012.</p> <p><i>Administrative Expenses</i></p> <p>Administrative expenses for the year ended 30 September 2014 increased by 80.9 per cent. to £20.0 million from £11.1 million for the year ended 30 September 2013 and by 33.1 per cent. from £8.3 million for the year ended 30 September 2012.</p>			

		<p><b><i>Exceptional Costs</i></b></p> <p>Exceptional costs for the year ended 30 September 2014 increased to £4.4 million from £0.5 million for the year ended 30 September 2013 and from £0.3 million for the year ended 30 September 2012.</p> <p><b><i>Amortisation of Acquisition Intangibles</i></b></p> <p>Amortisation of acquisition intangibles for the year ended 30 September 2014 increased to £5.1 million from £1.5 million for the year ended 30 September 2013 and from £1.0 million for the year ended 30 September 2012.</p> <p><b><i>Taxation</i></b></p> <p>Tax expense for the year ended 30 September 2014 decreased by 57.3 per cent. to £0.5 million from £1.1 million for the year ended 30 September 2013 and increased by £0.1 million from the year ended 30 September 2012.</p> <p><b><i>Foster Property Maintenance</i></b></p> <p><b><i>Revenue</i></b></p> <p>Foster Property Maintenance reported revenue of £3.7 million in the 21 days period to 21 October 2013 (the date of its acquisition by the Operating Group). Its revenue for the year ended 30 September 2013 increased by 72.5 per cent. to £45.8 million from £26.6 million for the year ended 30 September 2012.</p> <p><b><i>Gross Profit</i></b></p> <p>Foster Property Maintenance's gross profit for the 21 day period to 21 October 2013 was £1.1 million, representing a gross margin of 29 per cent. Gross profit for the year ended 30 September 2013 increased by 93.8 per cent. to £8.5 million from £4.4 million for the year ended 30 September 2012 with gross margins increasing from 16 per cent. to 18 per cent. in the same period.</p> <p><b><i>Administrative Expenses</i></b></p> <p>Foster Property Maintenance's administrative expenses were £0.2 million in the 21 days to 21 October 2013. For the year ended 30 September 2013 they increased by 29.1 per cent. to £1.2 million from £0.9 million for the year ended 30 September 2012.</p> <p><b><i>Everwarm</i></b></p> <p><b><i>Revenue</i></b></p> <p>Everwarm's revenue in the period from 1 October 2013 to 16 April 2014 (the date of its acquisition by the Operating Group) was £39.1 million. Everwarm's revenue for the year ended 30 September 2013 increased by 80.5 per cent. to £48.4 million from £26.8 million for the year ended 30 September 2012.</p> <p><b><i>Gross Profit</i></b></p> <p>Everwarm's gross profit for the period from 1 October 2013 to 16 April 2014 was £14.1 million, representing a gross margin of</p>
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		<p>36 per cent. Gross profit for the year ended 30 September 2013 increased to £15.9 million from £7.5 million for the year ended 30 September 2012 with gross margins increasing from 28 per cent. to 33 per cent. in the same period.</p> <p><i>Administrative Expenses</i></p> <p>Everwarm’s administrative expenses were £3.9 million in the period from 1 October 2013 to 16 April 2014. For the year ended 30 September 2013 they increased by 65.7 per cent. to £4.2 million from £2.6 million for the year ended 30 September 2012.</p> <p>Since 30 September 2014 (being the end of the period covered by the selected historical key financial information set out in the tables above), there has been no significant change in the financial condition or operating results of the Group.</p>																
<b>B.8</b>	<b>Unaudited Pro Forma Financial Information</b>	<p>The unaudited pro forma statement of net assets for the Operating Group as at 30 September 2014 and the unaudited pro forma income statement for the Operating Group for the period ended 30 September 2014 set out below have been prepared on the basis set out in the notes below and in accordance with Annex II to the Prospectus Directive Regulation to illustrate, in the case of the unaudited pro forma statement of net assets, the impact of the Offer on the net assets of the Operating Group had the Offer taken place as at 30 September 2014, and, in the case of the unaudited income statement, the impact of the acquisitions of each of Foster Property Maintenance and Everwarm on the trading performance of the Operating Group had those acquisitions taken place as at 30 September 2013.</p> <p>The unaudited pro forma information below has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Rules and should be read in conjunction with the notes set out below. By its nature, the unaudited pro forma information below addresses hypothetical situations and does not, therefore, represent the Operating Group’s actual financial position or results as at the dates or for the periods indicated. It may not, therefore, give a true picture of the Operating Group’s financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. No account has been taken of any results or other activity since 30 September 2014.</p> <p><b>Unaudited Pro Forma Balance Sheet</b></p> <table><tr><td></td><td><i>30 September 2014 (Note 1) £’000</i></td><td><i>Adjustments IPO Proceeds (Note 2) £’000</i></td><td><i>Unaudited Pro Forma (Note 3) £’000</i></td></tr><tr><td>Total assets</td><td>149,371</td><td>23,151</td><td>172,522</td></tr><tr><td>Total liabilities</td><td>100,565</td><td>–</td><td>100,565</td></tr><tr><td><b>Net assets</b></td><td><u>48,806</u></td><td><u>23,151</u></td><td><u>71,957</u></td></tr></table>		<i>30 September 2014 (Note 1) £’000</i>	<i>Adjustments IPO Proceeds (Note 2) £’000</i>	<i>Unaudited Pro Forma (Note 3) £’000</i>	Total assets	149,371	23,151	172,522	Total liabilities	100,565	–	100,565	<b>Net assets</b>	<u>48,806</u>	<u>23,151</u>	<u>71,957</u>
	<i>30 September 2014 (Note 1) £’000</i>	<i>Adjustments IPO Proceeds (Note 2) £’000</i>	<i>Unaudited Pro Forma (Note 3) £’000</i>															
Total assets	149,371	23,151	172,522															
Total liabilities	100,565	–	100,565															
<b>Net assets</b>	<u>48,806</u>	<u>23,151</u>	<u>71,957</u>															





		<p>The nominal value of the total issued share capital of the Company immediately following Admission will be £15,752,710.30 divided into 157,527,103 Shares of £0.10 each, which will be issued fully paid.</p> <p>When admitted to trading, the Shares will have an ISIN of GB00BSKS1M86, SEDOL number BSKS1M8 and will trade under the symbol LAKE.</p>
<b>C.2</b>	<b>Currency</b>	The Shares will be denominated in pounds sterling.
<b>C.3</b>	<b>Issued Shares</b>	<p>As at the date of this Prospectus, the issued share capital of the Company is £12,381,923.70, comprising 123,819,237 Existing Shares.</p> <p>On Admission, there will be 157,527,103 Shares of £0.10 each. All Shares in issue on Admission will be fully paid.</p>
<b>C.4</b>	<b>Rights</b>	<p>The Shares will rank <i>pari passu</i> in all respects with each other, including for voting and dividend rights and rights on a return of capital.</p> <p>Subject to the provisions of the Companies Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Shares. The Companies Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.</p> <p>Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company. The Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Shares on or off-market, subject to the Companies Act and the requirements of the Listing Rules.</p>
<b>C.5</b>	<b>Restrictions on Transferability</b>	Not applicable. The Shares are freely transferable and there are no restrictions on transfer.
<b>C.6</b>	<b>Application for Admission</b>	<p>Application has been made to the FCA for the Shares to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.</p> <p>No application has been made or is currently intended to be made for the Shares to be admitted to listing or trading on any other exchange.</p>
<b>C.7</b>	<b>Dividend Policy</b>	The Board intends to adopt a progressive dividend policy for the Company from Admission which will seek to maximise Shareholder value and reflect its earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund on-going operating requirements and to invest in the Company's long term growth.

Section D – Risks		
D.1	Key Information on the Key Risks (Company and Industry)	<ul style="list-style-type: none"> <li>The Group's operations are dependent on UK Government and local government policy with regard to expenditure on improving and maintaining social housing and public buildings and to public expenditure levels in general. The Group has significant exposure to the public sector and it is, therefore, dependent upon the level of expenditure in the public sector and the policies of its local government and housing association customers which follow their own strategies within the context of overall UK Government policy. Any material change in UK Government and/or local government priorities and programmes, including reducing present or future investment and spending on the building, refurbishment or maintenance of social housing, public buildings or other areas in which the Group provides its services, could have a material adverse impact on the Group's business, financial condition and results of operations.</li> <li>The Group is seeking to grow its Energy Services Division, both organically and by adding additional services through acquisition. As the Division grows, the Group may be more susceptible to any significant adverse changes in UK Government or Scottish Government policy in the energy savings and sustainability market. Any material change in such policy, such as the withdrawal of, or significant reduction in, UK Government or Scottish Government funding for subsidised energy saving schemes; their replacement with alternatives which are not compatible with the Group's service offering or which would require the Group to expend significant capital in order to remodel its service provision, could have a material adverse impact on the Group's business, financial condition and results of operations.</li> <li>The majority of the Group's services are procured through competitively tendered long-term framework contracts. If the Group is unable to assess or estimate accurately the overall risks, revenues or costs on a particular contract so that it fails to price the contract appropriately, then a lower than anticipated profit may be achieved or a loss incurred on such contract. The Group is also susceptible to cost inflation. If increases in costs are not met through corresponding increases in revenues from the Group's contracts or predicted cost inflation is not accurately estimated or factored into the relevant cost escalator in any contract pricing mechanism, then the Group may suffer losses in relation to such contracts.</li> </ul> <p>The fact that the Group is increasingly entering into longer-term contracts also increases the risk of significant claims arising between the Group and its customers or the Group and its suppliers, for example, in the event that the Group fails to comply with specified performance or service levels under the contract.</p>

		<p>Furthermore, if the Group is not selected as one of the contractors within a framework, it could, potentially, find itself 'locked-out' of a particular client's workload for an extended period until the work covered by that contract is re-tendered, thereby closing off a potential source of revenue. Even if the Group is selected as a contractor under a framework agreement, there is no guarantee that it will be successful in tendering for work and projects pursuant to that framework.</p> <ul style="list-style-type: none"> <li>• The Group competes for new work through a process of competitive tendering or bilateral negotiation. Its reputation, prior experience, pricing and, if applicable, existing relationship with a client will all have a bearing on gaining new work. The failure by the Group to compete effectively on these criteria could reduce its revenue, profitability or cash flow. The Group also competes with international, national and local construction and support services groups. Some of these groups are larger than the Group and may have greater financial, technical and operating resources or capabilities. As a result of this competition, the Group may fail to win new contracts in its chosen growth markets, may be unable to renew current contracts or may fail to win contracts which are sufficiently profitable to maintain or improve the financial condition of the Group.</li> <li>• The Group is subject to laws, regulations and administrative requirements and policies in its operations which relate to, among other matters, national, local and other laws, planning, developments, building, land use, health and safety, environment, employment, anti-bribery and corruption and tax (including VAT), compliance with which incurs costs. These regulations, requirements and policies often provide broad discretion to the administering authorities. Changes in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may delay or increase the cost of projects and the Group's business generally.</li> <li>• The Group is dependent, in large part, on its supply chain. If the Group is unable to build long-term relationships with its sub-contractors, this may have a material adverse impact on the Group's business, financial condition and results of operations. Also, if a sub-contractor or supplier fails financially, becomes insolvent or is responsible for late or inadequate delivery or poor quality of work on a contract, this could damage the Group's reputation and/or cause it to suffer financial losses on a particular contract or project.</li> <li>• Industry accreditations or certifications are sometimes required or beneficial in order to win new contracts or maintain existing ones. The failure to obtain an accreditation, or the loss or withdrawal of an accreditation, could therefore have a material and adverse effect on the Group's financial condition and prospects. The process of obtaining a specific accreditation or certification can also be costly and time-</li> </ul>
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		<p>consuming, meaning that the Group is unable to bid for, or to secure, work whilst its application for accreditation or certification is in progress or being adjudicated. Any significant delay in obtaining, or failure to obtain at all, a particular accreditation or certification required could, therefore, inhibit the Group's ability to grow its customer base or to expand into new markets.</p> <ul style="list-style-type: none"> <li>• The success of the Group is dependent on recruiting, retaining, motivating and developing sufficient appropriately skilled and competent people at all levels of its organisation. The Group faces strong competition for personnel from other companies and organisations. There may at any time be shortages in the availability of appropriately skilled people at all levels within the Group. In addition, the Group's success depends, to a significant extent, on the continued services of its Senior Management, which has substantial knowledge of, and experience and expertise in, the industries in which the Group operates. If the Group is unable successfully to attract and retain such personnel, it may not be able to maintain standards of service or continue to grow its businesses as anticipated.</li> <li>• The Group has made, and intends to continue to make, acquisitions of complementary companies and businesses as part of its growth strategy. Any new acquisitions may divert resources, including the attention of the Senior Management, both during the acquisition process and as a result of post-acquisition integration. No assurance can be given that the Group will be able to manage future acquisitions profitably or integrate such acquisitions successfully without substantial costs, delays or other problems being incurred or experienced. In addition, no assurance can be given that any companies or businesses acquired will achieve anticipated levels of profitability.</li> </ul>
<b>D.3</b>	<b>Key Information on the Key Risks (Shares)</b>	<ul style="list-style-type: none"> <li>• The share prices of newly-listed companies can be highly volatile and shareholdings illiquid. The market price of the Shares may be subject to wide fluctuations in response to many factors, some specific to the Group and its operations and others to the broader equity markets in general. In addition, stock markets have from time to time experienced extreme price and volume fluctuations which could adversely affect the market price of the Shares.</li> <li>• Sales of Shares by significant investors could depress the market price of the Shares. A substantial amount of Shares being sold, or the perception that sales of this type could occur, could also depress the market price of the Shares. Both scenarios may make it more difficult for Shareholders to sell the Shares at a time and price that they deem appropriate.</li> </ul>

		<ul style="list-style-type: none"> <li>The Company has no current plans to issue more equity other than to satisfy awards and/or options granted over Shares in accordance with the terms of any of the Share Incentive Schemes. It may, however, decide to do so in the future. If pre-emption rights in the Articles are disapplied, any additional equity financing may be dilutive to those Shareholders who cannot, or choose not to, participate in such fundraisings.</li> </ul>
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Section E – Offer		
<b>E.1</b>	<b>Net Proceeds and Expenses</b>	Through the sale of the Existing Shares pursuant to the Offer, it is expected that the Selling Shareholders will receive gross proceeds of approximately £30.0 million. Additionally, the issue of 33,707,866 New Shares by the Company is expected to raise approximately £23.1 million of net proceeds for the Company (after deducting placing commissions and other estimated Offer-related fees and expenses of approximately £6.9 million). No expenses will be charged by the Company or the Selling Shareholders to any investor who purchases Shares pursuant to the Offer (see E.7 below).
<b>E.2a</b>	<b>Reasons for Offer and Use of Proceeds</b>	<p>The Directors believe that the Offer and Admission will position the Group for its next stage of development, including further raising the profile of the Group, assisting in retaining and incentivising employees and providing it with a platform for future growth.</p> <p>Admission will also enable the Selling Shareholders partially to realise their investment in the Company.</p> <p>No proceeds of the sale of Existing Shares will be received by the Company. The Company intends to use the net proceeds from the Offer of New Shares for general working capital and corporate purposes and to acquire appropriate acquisition targets as and when such opportunities arise.</p>
<b>E.3</b>	<b>Terms and Conditions</b>	<p>The Offer comprises 33,707,865 Existing Shares to be sold and 33,707,866 New Shares to be issued at an Offer Price of 89 pence each.</p> <p>Under the Offer, the Offer Shares are being offered for sale or subscription (as appropriate) to certain institutional and other investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S under the Securities Act, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.</p> <p>Admission is expected to become effective, and dealings in the Shares are expected to commence on the London Stock Exchange, at 8.00 a.m. on 23 March 2015.</p> <p>The Offer is subject to the satisfaction of conditions contained in the Placing Agreement. These conditions include conditions which are customary for transactions of this type (including Admission becoming effective by no later than 8.00 a.m. on 23 March 2015 (or such later time and/or date as the Company and Peel Hunt may agree, not being later than 8.00 a.m. on 31 March 2015) and the</p>

		<p>Placing Agreement not having been terminated prior to Admission).</p> <p>The subscription and/or purchase of the Offer Shares to be offered under the Offer has been not been underwritten by Peel Hunt save as set out below.</p> <p>The Company, the Directors, the Selling Shareholders and Peel Hunt have entered into the Placing Agreement pursuant to which Peel Hunt has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers and purchasers for the Offer Shares. In the event that it is unable to procure subscribers and purchasers for the Offer Shares, Peel Hunt will not be obliged to purchase or subscribe for the Offer Shares itself provided that, to the extent that Peel Hunt has procured such subscribers and purchasers and any such subscriber and/or purchaser fails to fulfil their contractual commitment to subscribe for and/or purchase any Offer Shares, then Peel Hunt shall be obliged to subscribe for and/or purchase the relevant Offer Shares.</p> <p>The Placing Agreement also provides for Peel Hunt to be paid a commission in respect of the Offer Shares placed. Any commissions received by Peel Hunt may be retained, and any Offer Shares acquired by Peel Hunt may be retained or dealt in, by Peel Hunt for its own benefit.</p> <p>In the event that Peel Hunt receives applications in excess of the number of Shares available pursuant to the Offer, applications will be scaled back and allocations finally determined in accordance with an allocation policy to be determined by Peel Hunt.</p> <p>None of the Shares may be offered for subscription, sale or purchase or be delivered, or be subscribed, sold or delivered, and this Prospectus and any other offering material in relation to the Offer and the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p>
<b>E.4</b>	<b>Material Interests</b>	<p>There are no interests known to the Company that are material to the Offer or Admission or which are conflicting interests.</p>
<b>E.5</b>	<b>Selling Shareholders/ Lock-up arrangements</b>	<p>33,707,865 Existing Shares will be sold by the Selling Shareholders pursuant to the Offer.</p> <p>The Offer will provide the majority of the Selling Shareholders with a partial realisation of their investment in the Company save for a limited number of Small Selling Shareholders, who will sell down all of their shareholdings in the Company under the Offer.</p> <p><b><i>Lock-up arrangements</i></b></p> <p>Each of the Directors and the Selling Shareholders who hold Shares as at Admission has agreed that, during the period following Admission and expiring on the date which is 30 days from the date on which the Group's interim results for the six month period ending 31 March 2016 are published, subject to</p>

		<p>certain customary exceptions and certain exceptions in relation to Shares acquired pursuant to the Share Incentive Schemes, he or she will not, directly or indirectly, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as the foregoing.</p> <p>In addition, each of the Directors and the Selling Shareholders who hold Shares as at Admission have agreed that, for a further period following the expiry of their lock-up periods referred to above and expiring on the day after publication of the Company's pre-close trading statement in connection with the publication of the Company's interim results for the six month period ending 31 March 2017, subject to certain customary exceptions and certain exceptions in relation to Shares acquired pursuant to the Share Incentive Schemes, he or she will not, directly or indirectly, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of any Shares (or any interest in therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as the foregoing other than through Peel Hunt with a view to maintaining an orderly market in the Company's securities.</p> <p>Further, a single Shareholder who will hold Shares as at Admission and who is not selling Existing Shares pursuant to the Offer has agreed to be subject to lock-up arrangements on substantially the same terms as the Selling Shareholders as specified above.</p>
<b>E.6</b>	<b>Dilution</b>	33,707,866 New Shares will be issued pursuant to the Offer. The Existing Shares will represent approximately 78.6 per cent. of the total issued share capital of the Company immediately following Admission.
<b>E.7</b>	<b>Expenses charged to investors</b>	Not applicable. Other than in respect of expenses of, or incidental to, Admission and the Offer which will be paid by the Company, there are no commissions, fees or expenses to be charged to investors by the Company or the Selling Shareholders under the Offer.



## PART 1

### RISK FACTORS

*Investing in and holding Shares involves financial risk. Investors in the Shares should carefully review all of the information contained in this Prospectus and should pay particular attention to the following risks associated with an investment in the Shares, the Group's business and the industries in which it participates which should be considered together with all other information contained in this Prospectus.*

*Prospective investors should note that the risks relating to the Group, its industries and the Shares referred to below and summarised in the section of this Prospectus headed "Summary Information" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on key risks summarised in the section of this Prospectus headed "Summary Information" but also, among other things, the risks and uncertainties described below.*

*The risks and uncertainties described below are not an exhaustive list and do not necessarily comprise all, or explain all, of the risks associated with the Group and the industries within which it operates or an investment in the Shares (but do comprise the material risks and uncertainties in this regard that are known to the Directors) and should be used as guidance only. Additional risks and uncertainties relating to the Group and/or the Shares that are not currently known to the Directors, or which the Directors currently deem immaterial, may arise or become (individually or collectively) material in the future and may have a material adverse effect on the Group's business, results of operations or financial condition and, if any such risk or risks should occur, the price of the Shares may decline and investors could lose part or all of their investment.*

*Investors should consider carefully whether an investment in the Shares is suitable for them in light of the information in this Prospectus and their personal circumstances. Investors should consult a legal adviser, an independent financial adviser or a tax adviser for legal, financial or tax advice if they do not understand this Prospectus (or any part of it).*

#### RISKS RELATING TO THE GROUP

##### **1. Changes in UK Government policy, priorities and programmes in relation to publicly-funded building, refurbishment or regeneration projects, social housing or carbon saving/reduction initiatives could have a significant impact on the Group**

The Group's operations are dependent, to a significant extent, on UK Government and local authority policy with regard to expenditure on improving and maintaining social housing and public buildings, such as schools, and to public expenditure levels in general. Although the Group's clients operate across a number of different sectors and the Group aims to maintain and increase this diversity, it has significant exposure to the public sector, with 50 per cent. of its pro forma revenues for the year ended 30 September 2014 (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus) being derived from local authority customers and an additional 30 per cent. derived from housing association customers. The order books for the Group's businesses are, therefore, to a significant extent, dependent upon the level of expenditure in the public sector and the policies and expenditure levels of its local government customers which follow their own strategies within the context of overall UK Government policy.

The UK Government and/or local government bodies may decide in future to change their priorities and programmes, including reducing present or future investment and spending on the building, refurbishment or maintenance of social housing, public buildings or other areas in which the Group provides its services. Any material change in UK Government and/or local government policy in this regard, such as the withdrawal of, or significant reduction in, available funding for any reason or a significant change to the process by which customers source services from third party providers, could have a material adverse impact on the Group's business, financial condition and results of operations if the Group is unable to adapt to those developments sufficiently quickly or at all.

For example, the Housing Revenue Account (“HRA”) reforms, which have given local authorities control of rental income and responsibility for managing their own programmes of work, have been a positive development for the Group as they have led to local authority clients spending more on maintenance as they retain any surpluses they generate and are able to plan on a multi-year basis. This has afforded the Group a better understanding of anticipated spending budgets on relevant work types in the short, medium and long term and when they are likely to happen, thereby giving greater visibility of forward revenue streams. Were UK Government policy to change significantly such that control of spending on social housing maintenance and regeneration was to be recentralised to a significant degree, then this could potentially have a significant impact on the Group’s business model.

Similarly, changes to compliance regulation, for example, in relation to the frequency and regularity with which local authorities and other social housing landlords are required to carry out periodic maintenance of central heating, fire and electrical equipment within their housing stock and the regularity of testing for the presence of Legionella, could also lead to a loss of revenue for the Group.

**2. Adverse changes in UK Government or Scottish Government policy in the energy savings and sustainability market, on which the Energy Services Division’s business model relies to a significant extent, could have a detrimental impact on the Energy Services Division**

As a key element of its strategy, the Group is seeking to grow its Energy Services Division, both organically through cross-selling to the Group’s existing local authority and housing association customers and clients in London, the South of England and the East of England and by adding additional services through acquisition. As it becomes larger, and the proportion of revenues it contributes to the Group increases, the Group may be more susceptible to any significant adverse changes in UK Government and/or Scottish Government policy in the energy savings and sustainability market, on which the Energy Services Division’s business model relies to a significant extent.

Any material change in UK Government and/or Scottish Government policy with respect to energy efficiency and sustainability, such as the withdrawal of, or significant reduction in, funding for subsidised energy saving or carbon reduction schemes for any reason; their replacement with alternatives which are not compatible with the Group’s service offering or which would require the Group to expend significant capital in order to remodel its service provision; or material changes to the way in which those schemes operate, could have a material adverse impact on the Group’s business, financial condition and results of operations if the Group is unable to adapt to those developments sufficiently quickly or at all.

For example, changes to the way in which energy savings schemes are administered, and carbon savings calculated and priced under them have, in the past, had an effect on the cost of the work carried out by the Energy Services Division and, as a consequence, the revenues and margins that it has been able to generate.

**3. The Group is exposed to a variety of risks in relation to contract pricing and estimating, cost inflation and overruns and disputes**

The nature of the Group’s business is such that the majority of its services are procured through contracts, secured on the basis of competitive tendering, where services may be required to be delivered over an extended period of time. If the Group is unable to assess or estimate accurately the overall risks, revenues or costs on a particular contract, then a lower than anticipated profit may be achieved or a loss incurred on such contract. A significant proportion of the Group’s business depends for its profits on costs being controlled such that they are contained within the pricing structure of the relevant contract. The Group is susceptible to the pressures of cost inflation. If increases in costs are not met through corresponding increases in revenues from the Group’s contracts or predicted cost inflation is not accurately estimated or factored into the relevant cost escalator in any contract pricing mechanism, then the Group may suffer losses in relation to such contracts which may have a material adverse impact on the Group’s cash flows and its business, financial condition and results of operations.

Cost overruns, whether due to inefficiency; poor provision by, or lack of information from, the contract counterparty during the estimating process; poor contract design; faulty estimates; wage inflation; cost escalation and/or cost overruns by sub-contractors or other factors (including delays caused by adverse

weather on construction projects or higher than anticipated costs resulting from additional reactive maintenance than budgeted for being required under a gas appliance maintenance contract, for example, as a consequence of a particularly harsh winter), may result in lower profit or a loss on a particular project or contract. A significant number of the Group's contracts are based, in part, on cost estimates that are subject to a number of assumptions, particularly when a contract is tendered for, and those assumptions may prove to be incorrect over time or become irrelevant if the service provision under the contract evolves or changes. If estimates of the overall risks, revenues or costs prove inaccurate or circumstances change, then a lower profit or a loss on the contract may result. Any failure effectively to mitigate the risks associated with, or any losses arising from, underperforming contracts may have a material and adverse effect on the business, financial condition and results of operations of the Group.

If there has been an error made in the pricing structure and cost estimates built into a framework agreement (for example, cost inflation occurs at a rate which exceeds the cost escalator built into the contract pricing structure), the Group might potentially find itself locked into a long-term contract with an uneconomic pricing structure whilst also having to absorb wage, supply chain and costs of materials inflation. This is exacerbated by the fact that a significant number of the Group's contracts are medium- to long-term framework agreements and the Group is increasingly seeking to enter into such contracts as they provide longer term revenue visibility and other benefits, for example, in terms of affording the opportunity to develop long term relationships with contract counterparties.

As the businesses that the Group carries on increasingly comprise larger-scale and, in some cases, more complex contracts, as well as a significant number of medium- to long-term contracts, the potential impact of these risks may also increase. For example, the risk of significant claims arising between the Group and its customers or the Group and its suppliers is likely to be greater in the context of higher-value, longer-term building and/or regeneration and maintenance contracts than lower-value, shorter-term ones. There can be no assurance given as to the value of any such claims and no guarantee that customers will settle or pay amounts to the Group in respect of any such claims in a timely manner or at all. Similarly, there can be no assurance as to the number or quantum of any such claims that the Group may face in the future. Large-value claims, whether brought by or against the Group, may have a material adverse impact on the Group's cash flows and its business, financial condition and results of operations.

In addition, failure to follow best practice guidelines could mean that projects are not delivered to time, cost, quality or appropriate health and safety and/or environmental standards and, therefore, do not meet customer expectations or the expectations of a relevant third party. Failure to follow the Group's standards, procedures and guidelines could adversely affect the Group's reputation and/or expose the Group to financial liabilities and adversely affect the operational, financial and share price performance of the Group.

Furthermore, the procurement process in the social housing and education sectors in which the Group operates is such that many contracts are medium and longer term framework agreements ranging between three and 10 and, in some cases 15, years. Whilst these framework arrangements typically comprise a number of contractors, if the Group is not selected as one of the contractors within a framework, it could, potentially, find itself 'locked-out' of a particular client's workload for an extended period until the work covered by that contract is re-tendered, thereby closing off a potential source of revenue. Where this occurs, it could have a material adverse impact on the business, results of operations, financial condition or prospects of the Group. Even if the Group is selected as a contractor under a framework agreement, there is no guarantee that it will be successful in tendering for work and projects pursuant to that framework.

#### **4. Any significant reduction in the funding available for local authorities and housing associations to spend on refurbishment, maintenance and repair programmes could materially adversely affect the Group's regeneration and compliance businesses**

Whilst, following the HRA reforms, UK Government has ceded a significant amount of control over budgetary planning to local authorities and housing associations and allowed them to retain rental income generated from their housing stock, local authorities and housing associations were required to purchase that stock and UK Government has, at the same time, significantly cut their funding, requiring local authorities

and housing associations to finance their refurbishment, maintenance and repair programmes in respect of their social housing assets themselves from alternative sources.

Local authorities financed the purchase of their housing stock by way of long-term variable interest rate loans from the UK Government, using rental income to service the associated interest costs. Some housing associations, meanwhile, have also sought to access the capital markets through bond issues to raise additional finance to fund their obligations and, like local authorities, are using rental income generated from their housing assets to fund the associated interest payments. The presence of this debt finance on the balance sheets of local authorities and housing associations has brought its own risks, from which the Group is not immune, in that, to the extent that their interest servicing costs increase as a proportion of the revenue generated from the rental income they receive, local authorities and housing associations may have less capital available to spend on planned or reactive maintenance and refurbishment programmes in respect of their housing stock. Any significant reduction would have a material adverse effect on the Regeneration and Compliance Divisions and, in turn, on the business, financial condition and results of operations of the Group, as a whole.

Any further significant reductions in UK Government and/or local authority investment and funding, or delays in implementing new funding, may adversely affect the Group's future revenues and profitability in the relevant sectors in which it operates.

## **5. The markets in which the Group operates are the subject of significant competition**

The Group competes for new work through a process of competitive tendering or bilateral negotiation. Its reputation, prior experience, pricing and, if applicable, existing relationship with a client will all have a bearing on gaining new work. The failure by the Group to compete effectively on these criteria could reduce its revenue, profitability or cash flow.

The Group competes with international, national and local construction, support services and property groups. Some of these groups are larger than the Group and may have greater financial, technical and operating resources or capabilities. The sectors in which the Group operates are competitive on the basis of both price and service. There can be no assurances as to the future competitiveness of the Group or that the Group will win any additional market share from any of its competitors or maintain the current aggregate market share of the Group. As a result of this competition, the Group may fail to win new contracts in its chosen growth markets, may be unable to renew current contracts or may fail to win contracts which are sufficiently profitable to maintain or improve the financial condition of the Group.

## **6. The regulatory environment in which the Group operates may change**

The Group is required to comply with a significant number of laws, regulations and administrative requirements and policies in its operations which relate to, among other matters, national, local and other laws, planning, developments, building, land use, health and safety, environment, employment, anti-bribery and corruption and tax (including VAT). These regulations, requirements and policies often provide broad discretion to the administering authorities. Changes in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may delay or increase the cost of projects and the Group's business generally.

It is expected that increasingly stringent regulatory requirements will be imposed in the future. Although the effect of these requirements cannot be predicted, compliance with them could cause delays and increase the Group's costs. This could have a material adverse effect on the financial condition and operating results of the businesses of the Group.

## **7. The Group is required to comply with stringent health and safety and environmental laws**

The Group is subject to numerous laws, regulations and policies concerning the protection of health, safety and the environment. The impact of such laws, regulations and policies can vary greatly depending on the nature of the activity and the site where it is being undertaken. Environmental laws, regulations and policies

may result in delays, may give rise to substantial compliance, remediation and/or other costs and can prohibit or severely restrict construction and/or development in certain locations.

The consequences of breach of environmental law and regulation can be severe. The Group may be liable for losses associated with environmental hazards, may have its licences and permits withdrawn or suspended or may be forced to undertake extensive remedial clean-up action or to pay for UK Government-ordered remedial clean-up actions, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, actions or payments may have a material adverse effect on the reputation, business, results of operations and financial condition of the Group.

**8. A significant incident negatively impacting the Group's reputation and/or exposing inadequate health and safety regimes could have a material adverse effect on the Group's business and reputation**

A significant part of the Group's activities involve it providing regeneration, repair and maintenance and compliance services to residents of social housing provided by housing associations and local authorities. Any significant service failure, whether a one-off incident or recurring practice, could negatively impact upon the reputation of the Group and its operations and financial performance. This negative impact could be exacerbated or increased by the nature of the Group's activities and the profile of its direct or indirect customers, specifically publicly-funded bodies and social housing residents.

The nature of the business being conducted by the Group, being construction of schools and other public buildings as well as the regeneration, maintenance and repair of such buildings and social housing, involves exposure to health and safety risks for both the Group's employees and contractors as well as third parties. A significant part of the Group's business involves its operatives working in people's homes repairing and maintaining potentially dangerous equipment, such as gas central heating boilers. This requires the Group to maintain a rigorous operational and occupational health and safety programme and to ensure that its employees and contractors comply with when carrying out their work. This is critical to the success of all areas of the Group's business.

The Group takes the management of both operational and occupational health and safety seriously. Any failure in health and safety performance which results in a major or significant health and safety incident is likely to be costly for the relevant business in terms of potential liabilities incurred as a result. Furthermore, such a failure could generate significant adverse publicity and have a negative impact on the Group's reputation and its ability to win new business, which, in turn, could adversely affect its operating, financial and share price performance.

**9. Failure to meet quality thresholds and/or failure to complete or loss of major contracts could have a material adverse effect on the Group's business and financial performance**

The work undertaken and services provided by the Group or on its behalf by sub-contractors could be subject to quality measures and satisfaction of KPIs imposed by customers and clients. In the event that the Group fails to achieve the quality measures and/or KPIs imposed upon it or is otherwise found to be in breach of contract for any reason, it is subject to the risk that payments due under contracts for work undertaken may not be recovered in full or will not be recovered at all or that contracts could potentially be terminated or not renewed. In turn, this could have an adverse impact on the future profitability of the Group and could damage its reputation, thereby adversely affecting its ability to secure future business or to secure future business on terms acceptable to it. Even if amounts disputed under a contract are recovered, in whole or in part, it remains a risk that the time to recover such amounts will be longer than anticipated and, where payments are delayed, cash flow may be adversely affected, which, in turn, may adversely affect the financial condition of the business and the prospects of the Group.



**10. Provision of construction and support services is a complex activity which can involve disputes with third parties and there is no guarantee that a substantial third party claim will be covered by insurance**

The Group may be exposed to disputes and potentially significant litigation including, but not limited to, breach of contract and contractual disputes arising from the work it completes or has undertaken for its customers or with its supply chain. Insurance, if any, may be insufficient to cover the particular claim or loss arising from such disputes and any significant litigation may adversely affect the Group's business, financial condition and results of operations or cause the Group significant reputational harm.

The Group maintains commercial insurances in an amount the Directors believe is appropriate against risks commonly insured against by persons carrying on similar businesses, but there can be no guarantee that it will be able to obtain similar levels of cover on acceptable terms in the future.

In addition, even with such insurance in place, the risk remains that the Group may incur liabilities to clients and other third parties which exceed the limits of such insurance cover or are not covered by it. Should such a situation arise, it may have a material adverse impact on the business, results of operations, financial condition or prospects of the Group.

**11. The Group is exposed to risks arising from its dependence on contractors, sub-contractors and other service providers**

Whilst certain of its services, for example, those of the Compliance Division, are provided on the basis of a direct delivery model, the Group is, and will continue to be, reliant on its supply chain as it is required, to a significant extent, to use third party contractors to provide certain services.

The Group seeks to build long-term relationships with its sub-contractors, in the same way that it does with its customers, but this is dependent on it being able to provide them with sufficient work to keep them engaged at attractive rates. To the extent that the Group is unable to achieve this for any reason, then it could lose reliable sub-contractors to its competitors who they may consider are better able to provide them with the pipeline of work that they require which could affect the ability of the Group to service its existing contracts and to secure new ones. This, in turn, could have a material adverse impact on the Group's businesses, results of operations and financial condition. In addition, as a consequence of seeking to secure long-term relationships with reliable sub-contractors, the Group may, on occasion, contract with them on competitive terms, which as noted at paragraph 3 above, may not always be able to be passed through to the customer in contract pricing structures. In times of economic uncertainty or volatility, this risk may be exacerbated.

If a sub-contractor or supplier of goods or services fails financially or is responsible for late or inadequate delivery or poor quality of work on a project, then it could damage the Group's reputation and/or cause it to suffer financial losses on a particular contract. Any sub-contractor employed by the Group is likely to be subject to the same competitive and challenging market conditions as the Group, potentially increasing the risk of financial failure compared with the risk during more favourable conditions.

The Group may hire a contractor that subsequently becomes insolvent, causing cost overruns, programme delays and increasing the risk that the Group will be unable to recover costs in relation to any defective work performed by such contractor, to the extent that such costs are not covered by insurance. The insolvency or other financial distress of one or more sub-contractors could have a material adverse impact on the Group's business, financial condition and operating results.

The Group assesses the financial strength of its sub-contractors on an ongoing basis. Where the Group is particularly dependent upon the continued financial strength of key service providers, wherever practicable, it takes, and will continue to take, steps to diversify and mitigate the risk by contracting with a range of sub-contractors.



**12. Loss of, or failure to obtain, a key accreditation and/or certification could lead to withdrawal of work, contract loss or a failure to win new business**

The Group seeks to obtain and maintain a number of regulatory-driven accreditations and/or certifications in connection with the delivery of its services as these may either be required in order to secure certain types of work or, more frequently, assist with the securing of new contracts. For example, K&T Heating is a Gas Safe-registered business. The Group's other trading companies also have a number of accreditations. Allied Protection is a member of the Fire Industry Association and also has NICEIC approval and Exor and CHAS accredited contractor status. H2O Nationwide is registered under the Legionella Control Association's Code of Conduct, is a member of the Building and Engineering Services Association and the Water Management Society and, like Allied Protection, has Exor and CHAS accredited contractor status. Everwarm is a Green Deal approved assessor and installer, a Gas Safe-registered company, an NICEIC approved and CHAS accredited contractor and is approved by CIGA to provide 25 year cavity wall insulation guarantees and SWIGA to provide 25 year solid wall insulation guarantees.

If these accreditations are detrimentally affected in any way or withdrawn in their entirety by the bodies which issued them, this could have a material and adverse effect on the Group's financial condition and prospects as, unless those accreditations are restored, the Group could potentially be excluded from opportunities to tender for future work or, in some cases, from being able to continue to perform its existing contracts.

The possession of an accreditation or certification from a specific industry or assessment body may, in some cases, be required in order for the Group to qualify to tender for and/or to secure new contracts from customers in sectors or markets in which the Group does not currently operate but into which it is seeking to expand. The process of obtaining a specific accreditation or certification can, in some cases, be costly and time-consuming, which could mean that the Group is unable to bid for, or to secure, work whilst its application for accreditation or certification is in progress or being adjudicated. Any significant delay in obtaining, or failure to obtain at all, a particular accreditation or certification required could, therefore, inhibit the Group's ability to grow its customer base or to expand into new markets, which could, in turn, have a material adverse impact on the Group's business, financial condition and results of operations.

**13. An interruption or failure of IT systems could have a material adverse impact on the Group's ability to operate its business**

The efficient operation and management of the Group's business depends, in part, on the proper operation, performance and development of its IT systems and processes, as well as the IT systems and processes of sub-contractors. A significant performance failure of the Group's IT systems could lead to a loss of control over critical business information and/or systems (such as contract costs, service scheduling, invoicing and/or payroll management), resulting in an adverse impact on the ability of the business affected to operate effectively or to fulfil its contractual obligations which may, in turn, lead to a loss of custom, revenue and profitability and the incurring of significant consequential and remedial costs. In addition, the implementation of new IT systems and/or changes to existing management systems may not be successfully managed. This may lead to an IT environment that is inadequate to support the needs and objectives of the Group's business.

**14. Failure to attract, develop and retain appropriately skilled management or other personnel could adversely impact the Group's business, strategy and growth potential**

The success of the Group is dependent on recruiting, retaining, motivating and developing sufficient appropriately skilled and competent people at all levels of its organisation. The Group faces strong competition for personnel from other companies and organisations. There may at any time be shortages in the availability of appropriately skilled people at all levels within the Group. For example, the Group has experienced a decrease in the number of appropriately qualified and experienced bid managers and quantity surveyors who are available for recruitment, meaning it is taking longer to fill vacant positions as well as to supplement the Group's Pre-Construction and Estimating teams in order to support the Group's organic growth strategy. Such shortages, if they continue for a prolonged period, may affect the Group's ability to

tender for new work or to estimate costs and pricing structures in tenders and contracts effectively and, in turn, therefore, have a negative effect on the Group's businesses and financial performance.

In addition, the Group's success depends, to a significant extent, on the continued services of its Senior Management team, which has substantial knowledge of, and experience and expertise in, the industries in which the Group operates. The members of the Senior Management team contribute to the Group's ability to obtain, generate, manage and develop opportunities. If the Group is unable successfully to attract and retain such personnel, it may not be able to maintain standards of service or continue to grow its businesses as anticipated. The loss of such personnel, or the inability to attract and retain additional appropriately skilled employees required for their activities, could have an adverse effect on the Group's business and prospects. There is no guarantee that any of the Senior Management team will remain employed by the Group. Succession planning is key at all levels of the Group. The loss of the services of key members of the Senior Management team and the failure to maintain a robust management reporting process may lead to a lack of, or inadequate, information being provided to decision-makers in the Group which could have an adverse effect on the future prospects, financial condition or results of operations of the Group.

**15. A deterioration in employee relations could have a material adverse effect on the Group**

The Group employs a large workforce across several geographic locations. Some of the Group's employees may be represented by trade unions. From time to time, there may be disputes with employees, trade unions or other employee bodies to which such employees are affiliated. The Group seeks to manage and resolve any disputes appropriately. However, there can be no guarantee or assurance that any such disputes would not materially and adversely affect the reputation and the future prospects, financial condition or results of operation of the Group.

**16. Certain of the Group's self-employed sub-contractors could be deemed to be employees for tax and employment law purposes**

The Group engages in the region of 350 self-employed sub-contractors in its Regeneration (East) Division (Foster Property Maintenance) through the Construction Industry Scheme (the "CIS"). The Group tests the status of each sub-contractor prior to engagement to ensure compliance with the CIS criteria. In 2007, HMRC carried out an Employer Compliance inspection in relation to the status of the Group's sub-contractors in the CIS and were satisfied that the sub-contractor status had been correctly applied to them at that time. However, whilst the Group conducts regular reviews to ensure it remains compliant with published HMRC guidelines on the status of self-employed sub-contractors, if any arrangements in relation to those persons change in the future or if HMRC changes its view on whether these activities are compliant with the employment status rules (there has been case law since 2007 that could lead to a change of view and HMRC is not bound by previous findings), the relevant persons could be deemed to be employees instead of sub-contractors, in which case, the Group would be liable to make payments in respect of PAYE/NIC relating to their employment.

Pursuant to UK employment law, employees and workers enjoy various rights which are not available to genuinely self-employed individuals and there is also a risk that self-employed contractors might therefore seek to claim employee or worker status in order to benefit from additional entitlements, such as compensation in respect of unfair dismissal (a right which is available only to an employee), which might amount in respect of past and future loss of earnings. The Group would also be liable for increased costs (such as National Insurance Contributions) and contractors could also seek to claim statutory entitlements such as holiday pay, sick pay and maternity pay. If successful, their entitlements could extend back to the commencement of engagement by the relevant Group company.

Whilst the Group endeavours to ensure that both the contracts and procedures in place with such parties are constructed in such a way so as to minimise the risk that an employee relationship is established, the risk nevertheless remains that a court or tribunal might determine that, in reality, there is an employment relationship, even if this contradicts what is written in a contract. Any such determination could, therefore, have a material adverse effect on the Group's business, financial condition and results of operations.

**17. The Group may be required to remunerate employees and former employees on the basis of recent interpretations of the EU Working Time Directive relating to, amongst other things, vacation pay**

The EU Working Time Directive, which entitles employees to take 20 days' paid holiday every year (the UK government has increased this allowance to 28 days), does not specify which elements of remuneration should be included when calculating paid holiday. The UK courts have previously taken a restrictive approach, limiting holiday pay to basic pay and average overtime pay, but only if the overtime is both obligatory and guaranteed. A series of recent European court and UK tribunal and court cases have challenged this restrictive approach. It has been contended that an employee's holiday pay should be calculated not only on the basis of his or her salary but should also include any element of remuneration "intrinsically linked" to the tasks required under the employee's contract, including overtime (even where the overtime is neither guaranteed nor compulsory), commission, bonuses, shift premium and allowances (such as car and travel allowances) and that holiday pay should represent the amount the employee would have received had such employee been at work rather than on holiday. It has been past, and continues to be current, practice for employees across the Group's Divisions to work overtime. In addition, a significant number of employees in the Group's Energy Services Division have been paid in the past, and continue to be paid, commission on sales of the Division's energy saving products and services. The Group has not historically taken into account overtime, commission and some other variable elements of pay in calculating paid holiday for its employees. If the eventual outcome of the cases referred to above is that the calculation of holiday pay should include such considerations, then the Group will have to factor in such considerations when budgeting its remuneration costs going forward and may become liable to provide additional back-dated remuneration to current and, potentially, former employees. The Government is introducing regulations to limit the scope of retrospective claims under the Working Time Regulations to two years although there may still remain scope for claims for historic miscalculation. If the Group is required to pay additional remuneration to employees on the basis of miscalculated holiday pay the Group's cash position and results of operations might be adversely affected as any holiday pay accruals in the past carried in the Group's accounts would not take into account the additional historical elements of remuneration referred to above. The Group is reviewing its holiday pay accruals for further financial periods in light of the potential change in legislation.

**18. The Group may fail to integrate acquired companies and businesses successfully or to realise the envisaged benefits of acquisitions**

The Group has in the past made, and intends to continue to make, acquisitions of complementary companies and businesses as part of its growth strategy. Any future material acquisitions may significantly affect the Group's operational results. Furthermore, any new acquisitions may divert resources, including the attention of the Senior Management, both during the acquisition process and as a result of post-acquisition integration. No assurance can be given that the Group will be able to manage future acquisitions profitably or integrate such acquisitions successfully without substantial costs, delays or other problems being incurred or experienced. In addition, no assurance can be given that any companies or businesses acquired will achieve levels of profitability that will justify the investment the Group makes in them.

**19. The Group may fail to maintain and develop existing customer relationships**

A key element of the Group's strategy is to develop long-term relationships with key clients and customers in order to win repeat business from those clients and customers and to cross-sell the Group's other products and services to those clients and customers. Whilst the Group attempts to increase client spend as a relationship matures by identifying additional services that may be needed, for example, cross-selling the services provided by the Group's other Divisions into existing contractual relationships with local authorities and housing associations, there can be no guarantee that existing customer relationships will continue to grow or that key customers will not scale back their use of the Group or cease to contract with the Group altogether.

## **RISKS RELATING TO THE OFFER AND THE SHARES**

### **20. There is no existing market for the Shares**

There is presently no public trading market for the Shares and Admission should not be taken as implying that there will be a liquid market for the Shares. The Company does not know the extent to which investor interest in the Shares will lead to the development of a trading market following Admission, how liquid that market might be or, if a trading market does develop, whether it will be sustainable. If an active and liquid trading market does not develop or is not sustained, the liquidity and trading price of the Shares could be materially adversely affected and investors may have difficulty selling their Shares. Even if an active trading market develops, the market price for the Shares may fall below the Offer Price, perhaps substantially and for a substantial period. As a result of fluctuations in the market price of the Shares, investors may not be able to sell their Shares at or above the Offer Price, or at all.

### **21. The market price of the Shares may fluctuate significantly in response to a number of factors, many of which will be out of the Group's control**

The Offer Price may not be indicative of the market price for the Shares following Admission. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the company that issued them. The market price of the Shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including: variations in operating results in the Group's reporting periods; cyclical fluctuations in the performance of the Group's business; changes in financial estimates by securities analysts; changes in market valuations of similar companies; announcements by the Group of significant contracts, acquisitions, joint ventures or capital commitments; speculation, whether or not well-founded, regarding the intentions of the Group's major shareholders or significant sales of shares by any such shareholders or short selling of the Shares; speculation, whether or not well-founded, regarding possible changes in the Group's management team; loss of one or more major customers; additions or departures of key employees; any shortfall in revenue or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of Shares. Any or all of these events could result in a material decline in the price of the Shares. Investors may not be able to sell their Shares at or above the Offer Price, or at all.

### **22. Exchange rate fluctuation may impact on the price of the Shares**

The Shares will be quoted and any dividends to be paid in respect of them will be in pounds sterling. An investment in Shares by an investor in a jurisdiction whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of the pound sterling in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms.

### **23. Shareholders may earn a negative or no return on their investment in the Company**

The Group's results of operations and financial condition are entirely dependent on the trading performance of the members of the Group. The Group currently conducts substantially all of its operations through the Company's subsidiaries, and such entities generate substantially all of the Group's operating income and cash flow, with the Company having no direct operations or significant assets other than the investment in its subsidiaries. As a holding company with no independent operations, the Company is dependent on its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates distributable reserves for the Company. The Company's ability to pay dividends to Shareholders will therefore depend on its existing distributable reserves, future Group profitability, the ability to distribute or dividend profits from its operating subsidiaries up the Group structure to the Company, general economic conditions and other factors the Directors deem significant from time to time. In addition, because the subsidiaries are separate and distinct legal entities, they will have no obligation to pay any dividends or to lend or advance funds to the Company and may be restricted from doing so by contract, including other financing arrangements, provisions in their constitutional documents or the applicable laws and regulations of the various countries in which they operate. These factors could limit or prohibit the payment of dividends to the Company by its subsidiaries, which could, in turn, restrict the Company's ability to pay dividends to

Shareholders. As a result, Shareholders may not receive any return on an investment in the Shares unless they are able to sell the Shares for a price greater than that which they paid for them.

**24. Changes in tax legislation or the interpretation of tax legislation could affect the Company's ability to provide returns to its Shareholders**

Any changes in tax legislation or the interpretation of tax legislation could affect the Company's ability to provide returns to Shareholders. Statements in this Prospectus concerning the tax position of Shareholders are based on current tax law and practice in the UK, which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor.

**25. The issue of additional Shares in the Company in connection with future acquisitions, any share incentive or share option plans or otherwise may dilute all other shareholdings**

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. As a result, the Company's existing Shareholders may suffer dilution in their percentage ownership or the price of the Shares may be adversely affected.

**26. Substantial future sales of Shares could affect the market price of the Shares**

The Company cannot predict what effect, if any, future sales of Shares, or the availability of Shares for future sale, will have on the market price of Shares. Sales of substantial numbers of Shares in the public market following the Offer, or the perception or any announcement that such sales could occur, following the expiry of any lock-up arrangements, could adversely affect the market price of the Shares and may make it more difficult for investors to sell their Shares at a time and price which they deem appropriate. Such sales may also make it more difficult for the Company to issue equity securities in the future at a time and at a price that it deems appropriate. During the periods immediately prior to and following the end of the periods of sales restriction provided for by these lock-up arrangements, the market price of the Shares may fall in anticipation of a sale of Shares. Following the expiry of these arrangements, there will be no contractual restriction on the sale of the Shares owned by the Shareholders who were previously subject to them. The Group cannot predict whether a substantial number of Shares in addition to those which will be available in the Offer will be sold in the open market following the expiration or waiver of these restrictions. In particular, there can be no assurance that after the restrictions expire, or prior to the time when any such restrictions may be waived, such Shareholders will not reduce their holdings of the Shares.



## **PART 2**

### **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

#### **General**

Investors should only rely on the information in this Prospectus and any supplementary prospectus produced to supplement the information contained in this document. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus in connection with the Offer and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Peel Hunt. No representation or warranty, express or implied, is made by Peel Hunt as to the accuracy or completeness of such information and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by Peel Hunt as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4.1 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription, sale or purchase of Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or the Group since the date of this Prospectus or that the information contained in this Prospectus is correct as at any time subsequent to its date.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Offer, the Company or the Group. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. As required by section 87G of FSMA and paragraph 3.4.1 of the Prospectus Rules, the Company will update the information provided in this Prospectus by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the Group and/or the Offer occurs prior to Admission or if this Prospectus contains any material mistake or inaccuracy. Any supplement to this Prospectus will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its, his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription or purchase, or proposed subscription or purchase, of Shares. In making an investment decision, each prospective investor must rely on its, his or her own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders, Peel Hunt or any of their respective affiliates and representatives that any recipient of this Prospectus should subscribe for or purchase any of the Shares. Prior to making any decision as to whether to subscribe for or purchase any of the Shares, prospective investors should read the entirety of this Prospectus. Prospective investors should ensure that they read the whole of this Prospectus and not just rely on key information or information summarised within it.

Investors who subscribe for or purchase Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on Peel Hunt or any of its affiliates or representatives in connection with any investigation of the accuracy of any information contained in this Prospectus for their investment decision; and (ii) they have relied only on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Company or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors, Peel Hunt or the Selling Shareholders or their respective affiliates or representatives.



None of the Company, the Directors, Peel Hunt or any of their representatives is making any representation to any offeree, subscriber or purchaser of the Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offer, Peel Hunt and any of its affiliates, acting as investors for their own accounts, may acquire Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Peel Hunt and any of its affiliates acting as investors for their own accounts.

Peel Hunt does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

## **Presentation of financial information and non-financial operating data**

### ***Historical financial information***

The Company was incorporated on 28 January 2015 and, on 17 March 2015, acquired the entire issued share capital of Lakehouse Holdings. In the period from the date of its incorporation to the acquisition of Lakehouse Holdings, the Company was not a trading company and did not engage in any commercial or investment activity. As a consequence, the historical financial information included in this Prospectus, including the historical financial information set out in Part 10 (Historical Financial Information) of this Prospectus, is the historical information for Lakehouse Holdings and its subsidiaries (the “Operating Group”) for the three year period ended 30 September 2014.

The historical financial information in Part 10 (Historical Financial Information) of this Prospectus for the Operating Group (which includes historical financial information in respect of Foster Property Maintenance and Everwarm for the period following their acquisition by the Operating Group on 21 October 2013 and 16 April 2014, respectively, and ending on 30 September 2014) and the standalone historical financial information for Foster Property Maintenance and Everwarm covering the relevant periods prior to their acquisition by the Operating Group has, in each case, been prepared in accordance with the requirements of the Prospectus Directive Regulation and the Listing Rules and in accordance with IFRS. The basis of preparation is further explained in Part 10 (Historical Financial Information) of this Prospectus.

### ***Unaudited pro forma financial information***

Certain financial information of the Operating Group in this Prospectus is presented on a “pro forma basis”, that is, including revenue and/or Adjusted EBITA figures for Foster Property Maintenance and/or Everwarm for the periods from 30 September 2013 to their acquisition by the Operating Group on 21 October 2013 and 16 April 2014, respectively. All relevant revenue and/or Adjusted EBITA figures for the period covered by the historical financial information of the Operating Group, Foster Property Maintenance and Everwarm used to constitute any such figures presented on a “pro forma basis” have been extracted without material adjustment from, and reported on by the Reporting Accountant in, Sections A, B and C of Part 10 (Historical Financial Information) of this Prospectus. The relevant total revenue and Adjusted EBITA figures for the Operating Group provided on a “pro forma basis” have been extracted without material adjustment from, and reported on by the Reporting Accountant in, Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus.

EBITA and Adjusted EBITA are Key Performance Indicators for Lakehouse and have been used by the Directors to monitor the underlying performance of the Operating Group and will continue to be used in relation to the Group in the future. EBITA and Adjusted EBITA are not IFRS metrics and a description of how the Group defines EBITA and Adjusted EBITA, including a reconciliation of these metrics to operating profit, is set out in paragraph 7 of Part 8 (Operating and Financial Review) of this Prospectus.

## **Market, industry and economic data**

Unless the source is otherwise identified, the market, economic and industry data sourced and statistics in this Prospectus constitute Directors' estimates, using underlying data from third parties. The Company obtained market and economic data and certain industry statistics from internal reports as well as from third party sources as described in the footnotes to such information (including from research commissioned by the Company from Practical Management Solutions and Insights Consulting ("PMSI Consulting")). The Company confirms that all third party information set out in this Prospectus has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified. Such third party information has not been audited or independently verified.

## **Information regarding forward-looking statements**

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "targets" or "anticipates" or the negative of those terms, other variations on those terms or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs and current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies and dividend policy of the Company and the industries in which it operates.

In particular, the statements under the following headings "Summary Information", Part 1 (Risk Factors), Part 5 (Information on the Company and the Group) and Part 8 (Operating and Financial Review) regarding the Company's strategy and other future events or prospects are forward-looking statements. These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved: actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Please refer to Part 1 (Risk Factors) for further confirmation in this regard.

The forward-looking statements contained in this Prospectus are made only as of the date of this Prospectus. The Company, the Directors, the Selling Shareholders and Peel Hunt expressly disclaim any obligation or undertaking to update these forward-looking statements contained in this Prospectus to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

## **Information not contained in this Prospectus**

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription, sale, or purchase made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date of this Prospectus.

**No incorporation of website information**

The contents of the Company's website, any website mentioned in this Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Prospectus, and investors should not rely on such information.

**Rounding**

Certain data contained in the Prospectus, including financial information, have been subject to rounding adjustments. As a result of this rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. In certain statistical and operating tables contained in the Prospectus, the sum of numbers in a column or a row may not conform to the total figure given for that column or row. Percentages in tables and elsewhere in this Prospectus have been rounded and accordingly may not add up to 100 per cent.

**Constitution**

All Shareholders are entitled to the benefit of, and are bound by, and are deemed to have notice of, the provisions of the Articles.

**Interpretation**

Certain terms used in this Prospectus are defined in Part 15 (Definitions) and certain technical and other items are defined and explained in Part 16 (Glossary).

All references to time in this Prospectus are to London time, unless otherwise stated.

## PART 3

### DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

<b>Directors</b>	Stuart Black ( <i>Executive Chairman</i> ) Sean Birrane ( <i>Chief Executive Officer</i> ) Jeremy Simpson ( <i>Chief Financial Officer</i> ) Michael McMahon ( <i>Executive Director</i> ) Chris Geoghegan ( <i>Non-Executive Director and Senior Independent Director</i> ) Jill Ainscough ( <i>Non-Executive Director</i> ) Johnathan Ford ( <i>Non-Executive Director</i> )
<b>Company Secretary</b>	Simon Howell
<b>Registered office</b>	1 King George Close Romford Essex RM7 7LS
<b>Sponsor, financial adviser, sole bookrunner and broker</b>	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
<b>Legal advisers to the Company</b>	Eversheds LLP One Wood Street London EC2V 7WS
<b>Legal advisers to the sponsor, financial adviser, sole bookrunner and broker</b>	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
<b>Reporting Accountant and Auditors</b>	Deloitte LLP Global House High Street Crawley West Sussex RH10 1DL
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Financial public relations advisers to the Company</b>	Camarco 107 Cheapside London EC2V 6DN

## PART 4

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS, OFFER STATISTICS AND EXCHANGE RATE

*The Offer statistics and dates and times in this Prospectus are subject to change at the determination of the Company, following consultation with Peel Hunt. Any such change will be publicly announced by the Company through a RIS. All times are London, UK times.*

#### Expected timetable of principal events

<i>Event</i>	<i>Time and date</i>
Admission and commencement of dealings in the Shares on the London Stock Exchange	8.00 a.m. on 23 March 2015
CREST accounts credited in respect of uncertificated Shares	23 March 2015
Share certificates in respect of certificated Shares despatched	By 6 April 2015

#### Offer Statistics

Offer Price (per Share)	89 pence
Number of Shares subject to the Offer	67,415,731
– to be sold by the Selling Shareholders (the Existing Shares)	33,707,865
– to be issued by the Company (the New Shares)	33,707,866
Percentage of the Existing Shares subject to the Offer	27.2 per cent.
Number of Shares in issue immediately following Admission	157,527,103
Expected market capitalisation of the Company at the Offer Price <sup>1</sup>	approximately £140.2 million
Estimated net proceeds of the Offer receivable by the Company <sup>2</sup>	approximately £23.1 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders <sup>3</sup>	approximately £29.1 million

#### Notes:

- 1 The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will equal or exceed the Offer Price.
- 2 After deduction of the estimated commissions and other fees and expenses of the Offer payable by the Company, expected to be approximately £6.9 million. The Company will not receive any of the net proceeds from the sale of the Existing Shares in connection with the Offer.
- 3 After deduction of the estimated commissions, other fees and expenses of the Offer and amounts in respect of stamp duty payable on the sale of the Existing Shares payable by the Selling Shareholders, expected to be approximately £0.9 million.

## PART 5

### INFORMATION ON THE COMPANY AND THE GROUP

*Investors should read this Part 5 in conjunction with the more detailed information contained in this Prospectus, including the financial and other information appearing in Part 8 (Operating and Financial Review). Where stated, financial information in this Part 5 has been extracted without material adjustment from Part 10 (Historical Financial Information) of this Prospectus and unaudited pro forma financial information in this Part 5 has been extracted without material adjustment from Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus.*

#### 1. Overview

##### *The Group*

Lakehouse is a leading asset and energy support services business, focused on customers in the UK outsourced public and regulated services sectors. The Group delivers a range of essential services through a successful model based on long term contractual relationships with local authorities, housing associations and energy companies. The Group was founded in 1988 and is headquartered in Romford, Essex. It currently employs approximately 1,250 staff from a number of offices situated throughout London, the South of England, the East of England and Scotland.

The Directors believe the Group has a number of key strengths which both define the Lakehouse business and differentiate it from its competitors. The Group has created a strong reputation in its core markets of the public and regulated sectors, built on reliability, service quality and the successful delivery of cost-effective services to its customers. As a consequence, the Group has developed a number of significant, longstanding relationships with local authorities, housing associations and five of the “Big Six” energy companies, enabling it to refine its service offering further and capitalise on a range of cross-selling and other growth opportunities.

Lakehouse has focused its business on those markets where the Directors believe future prospects are best-suited to the Group’s strengths underpinned by demographic, regulatory, environmental and political drivers. For the year ended 30 September 2014, approximately 50 per cent. of the Operating Group’s pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus) were derived from local authority customers, 30 per cent. from housing association customers, 4 per cent. from other public sector customers, 13 per cent. from major energy companies and 3 per cent. from other customers.

In the year ended 30 September 2014, the Operating Group’s top 10 clients (see the table below) accounted for approximately 50 per cent. of Operating Group’s pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus), albeit that no single client accounted for more than ten per cent. of the Operating Group’s total pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus).

The table below sets out the top 10 clients by pro forma revenue for the year ended 30 September 2014, the length of time for which a member of the Group has had a commercial relationship with the relevant client and the relevant Divisions which currently provide services to that client.

<i>Top 10 customers</i>	<i>Length of relationship</i>	<i>Services delivered</i>
London Borough of Hackney	4 years	Regeneration, Compliance & Energy Services
Scottish Power	4 years	Energy Services
London Borough of Camden	6 years	Regeneration, Compliance, Energy Services & Construction
Norwich City Council	4 years	Regeneration
Peabody	14 years	Regeneration & Compliance
Royal Borough of Greenwich	13 years	Regeneration, Compliance & Construction



London Borough of Barking and Dagenham	8 years	Regeneration, Compliance & Construction
Sutton Housing Partnership	4 years	Regeneration
London Borough of Richmond Upon Thames	6 years	Construction
London & Quadrant Housing Trust	5 years	Regeneration

The Directors believe that Lakehouse's strong position in these sectors, robust business model and strong, experienced management team will enable the Group to benefit from the significant future growth opportunities these markets present, including increased investment in energy efficiency and sustainability, community-based supply partners and the provision of integrated service offerings.

The Group has achieved significant growth in recent years, both organically and through targeted acquisitions aimed at enhancing and extending its service offering to its core customer base. The Group was the highest mover in the most recent Construction News ranking of Top 100 contractors by turnover. The Operating Group's revenues grew from £151.5 million in the year ended 30 September 2012 to £345.2 million (on an unaudited pro forma basis) in the year ended 30 September 2014 (reflecting the acquisitions of Foster Property Maintenance and Everwarm<sup>4</sup>). Over the same period, Adjusted EBITA grew from £5.4 million to £21.9 million (on an unaudited pro forma basis<sup>4</sup>) with the Adjusted EBITA margin increasing from 3.6 per cent. to 6.3 per cent.<sup>4</sup>. Historically, the Operating Group has had low levels of borrowings with net debt of £11.4 million as at 30 September 2014, which, together with the net proceeds of the Offer, provides the Group with a strong balance sheet with which to pursue and deliver its strategic aims.

Furthermore, the Group's established customer relationships and long term contracts provide visibility of future revenue and income streams, complemented by strong predictable margins with good cash generation and limited working capital requirements. As at December 2014, the Group's order book stood at approximately £503.0 million and it had a pipeline of identified sales opportunities in excess of £2.6 billion in the context of an addressable market (including cross-selling opportunities) of approximately £10.8 billion, reflecting the scale of the opportunity for the Group in its chosen markets.

The Group benefits from a well-established management team, which has extensive sector experience across a range of industry, public company and specialist backgrounds. This provides a strong skill base upon which to support the development of the Group, as demonstrated by Lakehouse's success in securing a number of industry awards, including Building Magazine's 'Contractor of the Year' in 2010 and 2013.

### ***Business Divisions***

The Group operates through four business Divisions: Regeneration, Compliance, Energy Services and Construction.

#### ***Regeneration***

The Regeneration Division provides planned and responsive repair and maintenance for social housing assets. The Division currently operates through two businesses, each utilising a distinct service delivery model and with a specific geographical focus.

Regeneration (South) is the Group's original regeneration business and operates in London and the South East delivering planned maintenance services to its social landlord customers through an established network of third party sub-contractors.

Regeneration (East) was established in 2013 following the acquisition of Foster Property Maintenance and operates in East Anglia and the East Midlands delivering planned and responsive maintenance services to its social landlord customers utilising a self-employed sub-contractor workforce.

The Regeneration Division contributed £172.6 million in revenue to the Operating Group in the financial year ended 30 September 2014 and Foster Property Maintenance generated revenues of £3.7 million in the period from 1 October 2013 to its acquisition by the Operating Group on 21 October 2013. The Regeneration

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<sup>4</sup> Unaudited pro forma information has been extracted, without material adjustment, from Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus and has been prepared on the basis of the notes set out therein and in accordance with Annex II to the Prospectus Directive Regulation.

Division contributed Adjusted EBITA of £9.3 million to the Operating Group in the financial year ended 30 September 2014 and Foster Property Maintenance generated Adjusted EBITA of £0.9 million in the period from 1 October 2013 to its acquisition by the Operating Group on 21 October 2013.

### *Compliance*

The Compliance Division provides gas, fire, electric, air and water compliance services, a number of which are regulated, primarily to local authorities, housing associations and registered social landlords but also to the wider public sector and, to a lesser extent, commercial customers. The current geographic focus of the Division is London, the South and South East of England, however, it also operates nationally as specific circumstances require. The Compliance Division provides the following range of services:

- gas compliance services include the installation and maintenance, servicing and repair-on-demand of gas appliances and central heating systems with call-out facilities and planned service programmes to meet compliance requirements;
- fire protection services include the installation, maintenance and servicing of the physical infrastructure and fire safety materials required to protect against the outbreak of fire, including fire alarm systems, fire doors, fire extinguishers and emergency lighting;
- electrical compliance services focus on lighting and power installations, ensuring compliance with applicable regulations; and
- air and water hygiene services are focused on Legionella control and treatment, water treatment, ducting and ventilation cleaning.

The Compliance Division contributed £32.2 million in revenue to the Operating Group in the financial year ended 30 September 2014 and generated Adjusted EBITA of £2.5 million in the same period.

### *Energy Services*

The acquisition of Everwarm in April 2014 led to the significant expansion of the Energy Services Division, which the Directors expect to provide the base for future growth in this business area.

The services provided by the Energy Services Division include the installation of physical energy saving measures, such as solid wall, loft and cavity wall insulation and domestic energy efficient heating and energy technology systems, including smart meters and electrical vehicle charging points. The Division operates through a contracting structure whereby it is engaged by owners and landlords to undertake energy efficiency and sustainability works on social and private housing assets and also by energy companies who provide partial funding for these works in order to meet legislative carbon reduction/saving targets. Services provided by the Energy Services Division are part-funded by UK and Scottish Government-backed subsidy schemes and are delivered to both the private and social housing and the public and commercial property sectors.

The Energy Services Division contributed £22.9 million in revenue to the Operating Group in the financial year ended 30 September 2014 and Everwarm generated revenues of £39.1 million in the period from 1 October 2013 to its acquisition by the Operating Group on 16 April 2014. The Energy Services Division contributed Adjusted EBITA of £2.8 million to the Operating Group in the financial year ended 30 September 2014 and Everwarm generated Adjusted EBITA of £10.2 million in the period from 1 October 2013 to its acquisition by the Operating Group on 16 April 2014.

### *Construction*

The Construction Division delivers extension, refurbishment and some small scale new build works, primarily in the Education market and with a particular focus on school projects. In addition, the Division also carries out work in relation to other public buildings (such as fire stations, libraries, crematoria, leisure centres, community centres, hospitals and other health facilities) as well as a number of Ministry of Defence projects. The Construction Division's local authority customer base is focused on London and the South East.

The Construction Division contributed £78.5 million in revenue to the Operating Group in the financial year ended 30 September 2014 and generated Adjusted EBITA of £2.5 million in the same period.

Further information in relation to the Group's principal activities, Divisions and business operations, including the key factors driving change and growth therein, is set out in paragraph 3 below.

### ***Markets***

The UK's outsourced public services sectors, which represent the Group's core markets across its four Divisions, are driven primarily by UK Government and local authority policies with regard to expenditure on improving and maintaining assets, including social housing stock and public buildings. These policies cover both the level of expenditure available to specific asset groups and services as well as the extent to which such services are provided by public sector bodies directly or are outsourced to external service providers, such as Lakehouse. In recent years, there has been a growing trend towards the devolution of control over budgetary planning from UK Government to local authorities and housing associations. As a consequence, levels of expenditure and service provision policies increasingly differ between different public sector bodies across the UK. The Directors believe the Group's focus on the UK public sectors, where there is a significant level of legislated non-discretionary spend, together with its robust financial position, positions the Group favourably to weather any challenging economic conditions.

The last few years following the global financial crisis have seen significant austerity measures introduced across the public sector. However, notwithstanding the reduction in public spending, the Group has achieved significant continuous growth over the past six years as the nature of the services it provides to local authority, housing association and energy company clients and customers have been relatively protected from, and proven relatively resilient to, those UK Government spending cuts. Given the underlying demographic, regulatory and environmental drivers for the Group's services, the Directors expect this to continue.

The Group's ability to adapt and change and to provide consistently high quality service across all its Divisions has to date proven to be, and will continue to be, an important element of Lakehouse's success, notwithstanding any potential changes in UK Government and legislation.

The Group's overall addressable market across its current regions (defined as London, the South of England and the East of England, for the Regeneration, Compliance and Construction Divisions, and Scotland for the Energy Services Division) is estimated to be £7.9 billion. The Directors believe that this increases to approximately £10.8 billion when potential cross-selling of services between the Divisions is taken into account.

Further information in relation to the markets in which the Group operates, including the key factors driving change and growth therein, is set in paragraph 3 below.

## **2. History and development**

### ***History***

The Group was founded in 1988 by Steve Rawlings and originally operated from a small office in Forest Gate, East London. Initially, the range of services offered by the Group included the refurbishment and fit-out of public houses, off-licences and offices as well as general property maintenance. In the financial year ended 30 September 1992, the Group generated turnover of £0.4 million and a profit before tax of £0.1 million.

From 1992 onwards, the business continued to expand organically, delivering small scale refurbishment, fit-out and maintenance works for customers including the Co-operative Society, London Transport and the London Borough of Newham. Having established relationships with these larger public sector bodies, the Group was subsequently successful in winning similar work with the London Borough of Tower Hamlets, the City of Westminster and Grosvenor Estates. In 1996, Lakehouse secured its first social housing refurbishment project for the London Borough of Newham. The Group relocated to its current head office in Romford, Essex, in 2001, and, in the financial year ended 30 September 2001, generated revenue of £10.1 million, a profit before tax of £0.5 million and employed approximately 40 staff.

Whilst continuing to focus primarily on construction and, to a lesser extent, regeneration activities, Lakehouse continued to grow successfully such that, in the financial year ended 30 September 2008, the business employed 160 staff and reported revenue of £50 million and a profit before tax of £0.9 million.

In 2008, following the appointment of Stuart Black as Executive Chairman, the Group undertook a strategic review, the outcome of which was the adoption of a business plan and strategy designed to reduce the Group's reliance on higher cost/lower margin construction activities through the pursuit of organic sales growth opportunities in higher margin regeneration and compliance services, primarily from securing additional long term framework contracts with new and existing core public sector customers, thereby providing greater visibility of future revenue streams. The strategy was supported by strengthening the Group's management team and introducing additional expertise and experience in these new areas of focus. Furthermore, the strategy identified the acquisition of businesses that would provide the Group with complementary service offerings and create valuable cross-selling opportunities. As part of this strategy, the Group has invested both in its people and other resources so as to build a corporate infrastructure capable of supporting a much larger, rapidly growing business.

### ***Development of the Group***

#### ***Investment in corporate and commercial infrastructure***

In order to establish a platform for sustainable organic growth, the Group has made significant investment in its corporate and commercial infrastructure. In 2011, Lakehouse established a central Pre-Construction team responsible for the bid management process from the identification and screening of new opportunities to the preparation and submission of contract tenders. This function has been subsequently strengthened through the targeted recruitment of experienced bid writers, estimators and procurement specialists as well as the application of bespoke third party market information and intelligence systems. In 2014, Lakehouse established a central Commercial team to support the activities of the Pre-Construction team and Divisional service teams across the contract life cycle. Alongside these specialist functions, Lakehouse has enhanced the Group's IT infrastructure including rolling-out scalable maintenance management, customer contact and financial management systems.

In addition, as referred to above, since 2008, a core element to the Group's growth strategy has been the acquisition of complementary businesses that have broadened the Group's geographical footprint and expanded its service offering.

#### ***Growth of the Regeneration Division***

In October 2013, the Group acquired Foster Property Maintenance, thereby extending its Regeneration activities, historically focused on London and the South East, into East Anglia and the East Midlands. Foster Property Maintenance was founded in 1976 and provides planned and responsive property maintenance, estate regeneration, refurbishment and development services to the social housing and public property sectors through a direct delivery, rather than the more common, third party contractor, model.

#### ***Founding and growth of the Compliance Division***

In October 2011, Lakehouse established its Compliance Division following the acquisition of K&T Heating, a London-based provider of gas central heating system services for social housing customers.

The Compliance Division was expanded in 2012 with the acquisition of Allied Protection, a leading provider of fire compliance services to both the public and private sectors throughout East Anglia, the South and South East England.

In October 2014, further growth was achieved with the acquisition of H2O Nationwide which provides a comprehensive air and water hygiene services offering for local authority and social landlord customers throughout the UK, specialising in Legionella control.

#### ***Founding and growth of the Energy Services Division***

Lakehouse's Energy Services Division, established in 2011, was expanded significantly in April 2014 when the Group acquired Everwarm, which was founded in February 2011 by Michael McMahon, an Executive

Director of the Company, and a management team with over 20 years' experience in the energy services sector. Everwarm provides a wide range of energy services to both the social housing and private housing sectors, primarily, but not exclusively, in Scotland.

### **3. Principal activities**

#### **3.1 The Group's Divisions**

##### **3.1.1 Regeneration**

###### **3.1.1.1 Clients and services**

The Regeneration Division provides planned refurbishment, repair and maintenance and a growing responsive maintenance offering for social housing assets. The Division focuses on providing services to local authorities (and local authorities' arm's length management organisations ("ALMOs")) and housing associations. There are two parts to the business, each with a distinct service delivery model and geographical focus.

Regeneration (South) is the Group's original regeneration business and focuses on contracts with London borough councils, local authorities and housing associations in London and the South East, including Camden Council and The Peabody Trust. Regeneration (East), trading as Foster Property Maintenance, focuses on contracts with regional social landlords and local authorities in East Anglia and the East Midlands, including Norwich City Council and the Eastern Procurement Consortium. The Directors believe that geographical coverage is an important differentiator for the Division as an established local presence is important in building relationships and being able to compete effectively for new work, with a regional base frequently seen by clients as a prerequisite when deciding on contract awards.

For the financial year ended 30 September 2014, the Regeneration Division had 59 principal clients as well as a number of smaller relationships. In the financial year ended 30 September 2014, its largest 10 clients accounted for 71 per cent. of the Division's revenues and 36 per cent. of the Operating Group's pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus) and its largest client accounted for less than 20 per cent. of the Division's revenues and less than 10 per cent. of the Operating Group's pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus).

The principal services provided by the Regeneration Division include the following:

- internal refurbishment works such as the installation of kitchens and bathrooms;
- external fabric repair works and replacement of roofing, doors and windows;
- internal and external decoration;
- repair and refurbishment of empty properties (referred to as "voids") in preparation for reoccupation;
- compliance services, which may be provided in conjunction with the Compliance Division;
- heating renewals, estate lighting and electrical rewiring and insulation which may be provided in conjunction with other the Group's other Divisions;
- disabled adaptations; and
- other services including lift maintenance, door entry systems, estate regeneration (including refurbishment and repair of communal areas such as stairwells and corridors) and fencing.

The Regeneration Division's services are provided either on a planned or responsive basis. Planned maintenance services are provided either under a one-off contract or as part of ongoing framework arrangements that specify a planned cycle of scheduled maintenance



works. Responsive maintenance services comprise a day-to-day reactive service enabling the Group's clients to address residents' immediate needs with respect to breakdowns and repairs such as broken windows, electrical faults and leaking pipes. The Group works with its clients to determine the delivery of its services based on the needs of residents, the environmental circumstances and cost and time requirements. A significant part of the Group's services consist of project managing delivery and ongoing resident liaison.

For the financial year ended 30 September 2014, seven per cent. of the Operating Group's regeneration activities were delivered on a responsive basis and the Directors therefore believe there is an opportunity to expand the Division's responsive maintenance offering across a wider geographic area as this service is increasingly in demand from the Group's clients who, in many cases, will look to procure both planned and responsive maintenance services from a single supplier. To this end, the Directors believe that Lakehouse is well-placed to leverage its experience and capabilities in planned maintenance to compete effectively in this area.

The Division's team is comprised of experienced industry professionals who understand the delivery of complex refurbishments and maintenance programmes, together with the need to control costs, whilst also meeting the expectations of customers and residents.

The Regeneration Division contributed £172.6 million in revenue to the Operating Group in the financial year ended 30 September 2014 and Foster Property Maintenance generated revenues of £3.7 million in the period from 1 October 2013 to its acquisition by the Operating Group on 21 October 2013. The Regeneration Division contributed Adjusted EBITA of £9.3 million to the Operating Group in the financial year ended 30 September 2014 and Foster Property Maintenance generated Adjusted EBITA of £0.9 million in the period from 1 October 2013 to its acquisition by the Operating Group on 21 October 2013.

### 3.1.1.2 *Markets and key market drivers*

#### **General**

The Regeneration Division's clients in the social housing sector are social landlords comprising, housing associations, local authorities, ALMOs and PRPs. All social landlords are legally obliged to maintain their housing stock to a designated standard and many outsource their programmes of work to private sector service providers such as Lakehouse. Given landlords' legal obligations with respect to maintenance standards imposed on the social housing sector, the market is generally steady and predictable, affording service providers such as the Group with good visibility of future revenue streams.

#### **Key market drivers**

##### *Housing Revenue Account reforms*

In early 2012, the UK Government implemented significant Housing Revenue Account ("HRA") reforms with the aim of streamlining and improving service provision and reducing waste in the area of expenditure on social housing. It also announced significant changes to the way rental incomes are utilised, giving local authorities greater control of rental income, in addition to responsibility for managing their own programmes of work.

As part of the reforms, local authorities are now required to have a 30 year asset management plan detailing how they intend to maintain their housing stock, as opposed to the short term budgetary planning process previously controlled via central UK Government. Consequently, following the HRA reforms, social landlords have been able to retain rents and any surpluses they generate, such that they are able to plan on a multi-year basis rather than operating on a year-to-year horizon.

The Directors believe that HRA reforms have been a positive development for service providers, such as the Group, as they have benefited from the more clearly defined programmes of investment of many local authority clients, resulting in a greater



understanding of anticipated expenditure on relevant work types in the short, medium and long term and the related timing. This provides the Group with greater visibility of, and the ability to predict more accurately, sources and levels of future revenue. This understanding has also allowed the Group to assist clients with the development of their business plans and to organise resources accordingly.

#### *Decent Homes backlog funding*

Decent Homes, established in 2001, was a significant UK Government programme aimed at ensuring all social housing stock met certain minimum standards. Whilst it is now substantially complete, the Decent Homes programme resulted in increased expenditure on the refurbishment and maintenance of social housing stock as well as changes in the approach to stock ownership and management, such as reducing local authority ownership, increasing long term planning and framework agreements, and consolidating suppliers.

Whilst the Decent Homes programme played to the Group's strengths, its winding-down has not had a significantly detrimental impact on the Group, given that approximately 4.1 per cent. of social housing stock was still classed as "non-decent" in 2014 (*Source: Department for Communities and Local Government data*) and a significant percentage of these properties are located in London, a key geographical area of focus for the Group. Decent Homes Backlog Funding of £1.6 billion was made available between 2011 and 2015 to address this issue and a further £160 million was announced in the 2013 Comprehensive Spending Review for the period between 2015 and 2016, approximately 90 per cent. (equivalent to £145 million) of which will be spent in London (*Source: Housing Investment Group of the Greater London Authority*). Moreover, in recent years the Decent Homes programme has been replaced with other UK Government programmes, policy initiatives and regulation, such as the HRA reforms, which have continued to support the structural changes within the sector that have underpinned the Division's organic growth in recent years.

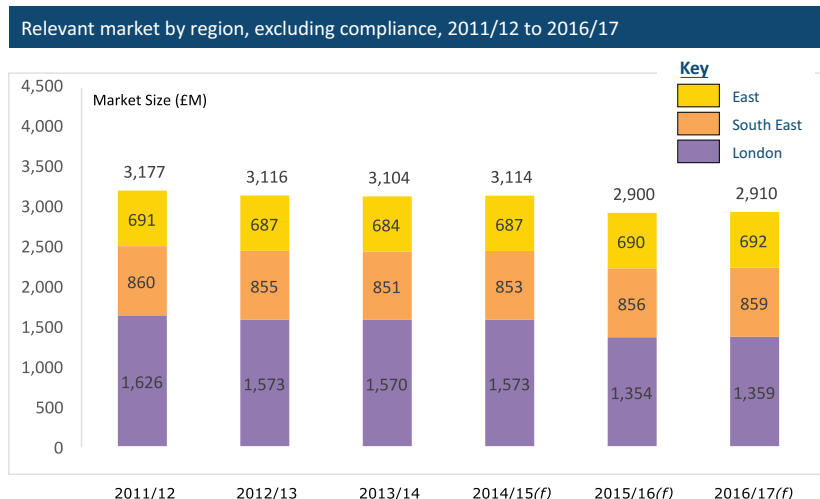
#### *Housing shortage*

In a number of the regions in which the Regeneration Division operates, in particular London and the South East of England, there is a significant shortage of social housing as a consequence of the combination of the failure to build sufficient new homes to meet demand, particularly in London and the South East, and the reduction in existing housing stock as a result of 'right to buy' sales. This is increasing the focus of clients on the need for the refurbishment and maintenance of existing homes to the appropriate standard as that stock ages.

The Directors believe there are also major opportunities in the areas of compliance and maintenance services to ensure social housing stock complies with the appropriate regulatory and safety standards, such as fire regulations.

#### 3.1.1.3 *Addressable market*

In the Regeneration Division's key markets of London, the South of England and the East of England, the market size for planned maintenance and major repairs spend has been relatively consistent in recent years and is forecast to remain so, as can be seen from the table below. There is expected to be some contraction in the London markets as Decent Homes backlog funding has been wound down but both the South East and East Anglian markets have remained reasonably constant.



Source: PMSI analysis of data derived from PMSI social housing database, the Construction Products Association, the Department for Communities and Local Government and the Homes and Communities Agency.

The Directors believe that the UK regeneration services market was worth approximately £8.9 billion in 2014 while, in the Regeneration Division's key markets of London, the South East and East of England, the market was worth an estimated £3.1 billion. The Directors estimate the current market share for the Regeneration Division in its core regions to be circa five per cent. (Source: PMSI). In addition, it is estimated that the potentially addressable market for the Regeneration Division in Scotland, where the Directors believe the Division can benefit from the Energy Services Division's strong existing client relationships with a number of local authorities, was worth approximately £1.1 billion in 2014.

#### 3.1.1.4 Procurement process

The procurement of regeneration services in the social housing market is typically undertaken in accordance with the Official Journal of the European Union ("OJEU") process (described in more detail in paragraph 3.2 below). In the majority of cases, a framework contract will be shared between two to five appointed contractors. Specific work programmes under the framework will subsequently be "called off" and assigned to a contractor predominantly on the basis of negotiated allocation. In addition to individual frameworks, procurement consortia also set up frameworks with contractors which a variety of social landlords, local authorities and PRPs can then access, such as the Eastern Procurement Consortium. In such circumstances, a competitive mini-tender process will often be used to decide on which specific contractor is appointed for a particular piece of work.

Frameworks are widely used because of their perceived ability to deliver "best value" for customers as they are designed to negate the need to procure each project individually. However, frameworks are still often large and expensive procedures to set up and frequently involve specialist consultancy support and lengthy process timetables. This can result in significant lead times before work is finally confirmed for providers and an average sales cycle can be 12 months from invitation to tender to start date. The framework agreements utilised by the Group's clients provide the Regeneration Division with good long term prospects and visibility of future revenue streams, allowing it to bid strategically and allocate its resources most efficiently.

#### 3.1.1.5 Competitive environment

Overall, the market in which the Regeneration Division operates is regionally focused and fragmented with many providers, none of whom has particularly significant overall market share.

The Regeneration Division's principal competitors vary by region such that it competes with a number of larger national contractors, such as Keepmoat, Kier Group and Mears, as well as smaller regional players such as Mulalley, Breyer and United House. The Directors believe that the Group's competitive advantage in the regeneration services market is based on:

- its longstanding client relationships;
- its consistently achieved high service levels;
- its alignment with individual client objectives;
- wider community engagement; and
- the direct delivery model of Regeneration (East), which facilitates greater control of service delivery and the generation of higher margins.

#### 3.1.1.6 *Future growth opportunities*

Given the Regeneration Division's market position and established record of high levels of customer service, there is a continuing opportunity to develop the cross-selling of regeneration services to the local markets and client bases of the Group's other Divisions. In this regard, the Directors believe that a particular opportunity lies in Scotland, where combining the track record and experience of the Regeneration Division with the Energy Services Division's local base, supply chain contacts and client relationships offers significant potential opportunities to cross-sell the Group's Regeneration services to current Energy Services clients. The ability to exploit such cross-selling opportunities will depend on the Group's ability to reference existing experience to put a viable proposition to clients. The Group has programmes in place to develop key staff, and is working on leadership and behavioural management in key client touch points, with a view to focusing on offering a higher level of customer service as a way to distinguish the Group from its competitors.

The Directors also believe that there is an opportunity to enhance the Division's competitive proposition through the delivery of complementary services. Responsive maintenance, which currently represents a small but growing contribution to the Division, is an area of focus and would broaden the existing, primarily planned maintenance, offering and provide the opportunity for the Regeneration Division to bid on wider range of contracts where clients are seeking bundled service provision.

In the medium term, the Group will also seek to replicate the higher margin direct delivery model currently operated by Regeneration (East) across its operations in London and the South East. Whilst this transition will be made over time and only where it is considered appropriate to do so, the Directors believe this should produce additional benefits in terms of improved margins across the Division as well as increased brand recognition and awareness amongst its clients and customers.

Given the fragmented nature of the market, the Directors believe that the Regeneration Division has an opportunity to grow by increasing market share, both organically and through targeted acquisitions of other companies and businesses operating in the sector. To this end, the Group will look to develop its geographic footprint, focusing on complementing areas where it has existing regional strength.

### 3.1.2 **Compliance**

#### 3.1.2.1 *Clients and services*

The Compliance Division provides gas, fire, electrical, air hygiene and water hygiene compliance services, a number of which are regulated. The Division focuses on providing services, primarily to local authorities, housing associations and registered social housing landlords including ALMOs and PRPs. In addition, the Division provides compliance

services to the wider public sector and, to a lesser extent, commercial customers in a number of service areas.

For the financial year ended 30 September 2014, the Compliance Division had 71 principal clients and a number of smaller relationships. Its largest 10 clients accounted for 69 per cent. of the Division's revenues and six per cent. of the Operating Group's pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus) and its largest client accounted for less than 20 per cent. of the Division's revenues and less than two per cent. of the Operating Group's pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus).

The principal services provided by the Compliance Division include the following core areas:

- Gas – comprising annual boiler servicing, maintenance and repair (including the issue of mandatory certification), boiler replacements and central heating system upgrades and renewals;
- Fire – comprising installation and maintenance of alarm systems, extinguishers, emergency lighting and the provision of other specialist equipment such as dry risers, sprinklers and Automatic Opening Vents (“AOVs”);
- Electrical – comprising periodic inspection and repairs to fixed wiring systems together with new system installations and upgrades; and
- Air and water hygiene – focusing on Legionella control and treatment, water treatment, ducting and ventilation cleaning.
- Water hygiene – focusing on Legionella control, water hygiene and treatment.

In addition to the above core compliance services, the Compliance Division also provides lift maintenance services through third party sub-contractors.

The Division provides its compliance services through three trading companies, K&T Heating, Allied Protection and H2O Nationwide, responsible for gas; fire and electrics; and air and water hygiene services, respectively. Where circumstances dictate, services may also be provided under the Lakehouse name.

K&T Heating, the Group's gas compliance business, delivers installation and maintenance, servicing and repair-on-demand of gas appliances and central heating systems to local authority, housing association and social housing landlord clients. In addition to scheduled service programmes, installations and repairs, K&T Heating offers its clients emergency call-out facilities through an in-house 24/7 customer contact centre, with the balance between planned and responsive services currently being approximately equal.

Allied Protection, the Group's fire compliance business, offers fire compliance services in two areas of fire safety: Active Fire Management and Passive Fire Management. Active Fire Management takes into account the design and lay out of a property, along with its occupation and usage, and is focused on the installation of equipment and systems necessary for the early detection of fire using technologies such as smoke/heat/CO<sub>2</sub>, carbon monoxide detection and measures designed to assist in the event of building evacuation using aids such as emergency lighting and illuminated signage. Passive Fire Protection focuses on adaptations and modifications to physical infrastructure designed to prevent a fire, or smoke, spreading, such as the installation of “fire break” insulation and fire doors. Allied Protection's clients are local authorities, housing associations and social housing landlords.

H2O Nationwide, the Group's air and water hygiene compliance services business acquired in October 2014, provides a full range of air and water hygiene services, specialising in Legionella control and treatment, water hygiene and treatment, ducting and ventilation cleaning. The Legionella control industry has developed since 2001 after the publication of guidance by the Health and Safety Executive following a number of high profile outbreaks of Legionella. As more emphasis has been put on the control of Legionnaires' disease, so H2O Nationwide has focused its services on this field to offer its local authority, housing association and social landlord clients a complete one-stop solution in respect of Legionella control and wider air and water hygiene management.

The three operating companies comprising the Compliance Division hold a number of relevant industry accreditations and certifications which are either a statutory requirement for tendering for, or carrying out, work or may be helpful in securing new contracts. For example, K&T Heating is a Gas Safe-registered business and Allied Protection has a number of accreditations, including membership of the Fire Industry Association, National Inspection Council for Electrical Installation Contracting ("NICEIC") approval and Exor and Contractors Health and Safety Scheme ("CHAS") accredited contractor status. H2O Nationwide is registered under the Legionella Control Association's Code of Conduct, is a member of the Building and Engineering Services Association (formerly the Heating and Ventilating Contractors' Association) and the Water Management Society and, like Allied Protection, has Exor and CHAS accredited contractor status.

The Compliance Division operates a direct labour delivery model employing skilled staff with the necessary qualifications to provide its compliance services.

The Compliance Division contributed £32.2 million in revenue to the Operating Group in the financial year ended 30 September 2014 and generated Adjusted EBITA of £2.5 million in the same period.

Given its acquisition date of 3 October 2014, the results of H2O Nationwide were not included in the historical financial information set out in Part 10 (Historical Financial Information) of this Prospectus. H2O Nationwide generated revenue of £3.4 million in the financial year ended 31 July 2014 and generated EBITA of £1.1 million during the same period.

### 3.1.2.2 *Markets and key market drivers*

#### **General**

By their nature, historically compliance services have generated steady revenue streams as such services are frequently mandatory for many of the Division's clients and driven by regulation. The regulatory environment has placed increasing obligations on local authorities and social housing landlords to maintain housing stock and public buildings to applicable safety standards and this, in turn, has led to the growth and development of the gas, fire and water safety industry from which the Compliance Division continues to benefit.

#### **Key market drivers**

##### *Gas*

All social landlords are required by law to arrange annual checks by a Gas Safe-registered engineer and to keep and maintain gas safety records for all relevant properties. Overall, however, the planned maintenance work undertaken by K&T Heating is not driven solely by regulatory requirements but also by the asset management plans of the Group's clients. For example, many customers in the social housing sector now work to 30 year asset management plans such that levels of future work in this area of the market are also frequently stable and predictable.

## Fire

The 2005 Regulatory Reform (Fire Safety) Order (the “Order”) placed a responsibility for the first time on both employers and landlords to carry out a fire safety risk assessment of their premises and to undertake any necessary works, or install appropriate fire safety equipment, to ensure compliance with the relevant standards. These assessments are required to be undertaken on a regular basis to ensure, and provide evidence of, ongoing compliance. The Order had the effect of transferring greater responsibility for fire safety to housing providers and businesses and, as a consequence, over the last decade there has been an increasing commitment to fire safety, which has resulted in greater reliance on fire safety service provision.

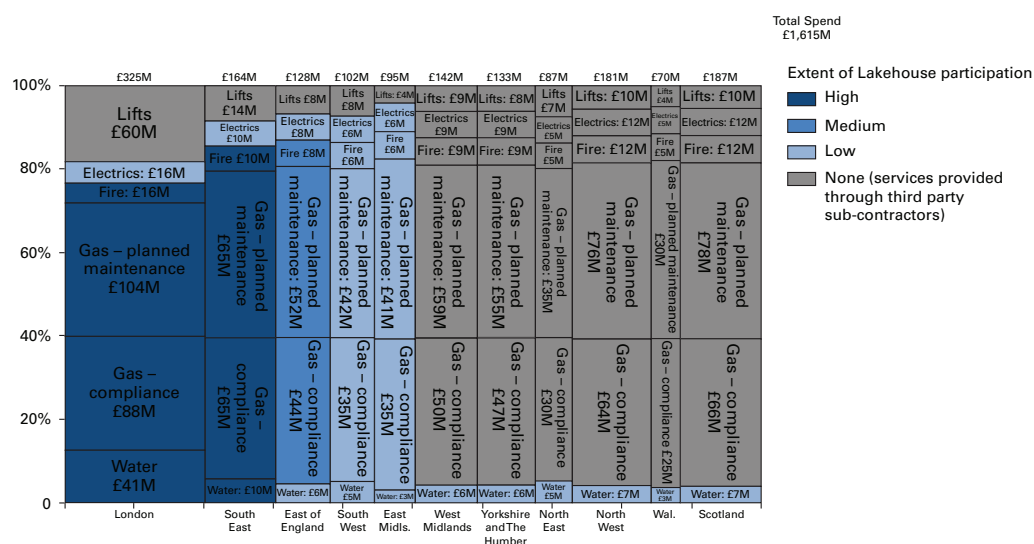
## Air and water hygiene

Under applicable health and safety legislation and Health and Safety Executive codes of practice, local authorities, housing associations and other registered social landlords are required to take suitable precautions to prevent or control the risk of exposure to Legionella. For example, they are required to carry out regular assessments and testing to establish any potential risks and, if necessary, to implement measures to eliminate these risks. The majority of this work is outsourced to third party providers, such as H2O Nationwide, that have the technical expertise and relevant accreditations to carry out this specialist work. At present, there are a limited number of service providers with the relevant technical expertise and required accreditations to carry out this work making this an attractive market for the Group.

### 3.1.2.3 Addressable market

The Directors believe that the UK compliance services market was worth approximately £1.6 billion in 2014 while, in the Compliance Division’s key markets of London, the South of England and the East of England, the market was worth an estimated £616 million (across all service lines, including lifts, where the Group currently provides services through third party sub-contractors rather than by direct delivery).

The chart below is a “heat map”, showing the estimated size of the compliance services market split by service area and region and then coloured according to the extent of the Compliance Division’s current activity in each area:



Source: PMSI analysis of data derived from PMSI social housing database, OJEU tenders, social landlord asset management plans and Lakehouse management estimates (per unit spend).

### 3.1.2.4 Procurement process

As with Regeneration, the procurement of compliance services is typically undertaken in accordance with the OJEU process (described in more detail in paragraph 3.2 below), with framework contracts lasting three, five or ten years with a current trend towards longer



terms. In some circumstances, a sole contractor will be appointed or alternatively the framework will encompass a small number of contractors. As with the Regeneration Division, specific work programmes under the frameworks will subsequently be “called off” and assigned to a contractor predominantly on the basis of negotiated allocation. More specialist compliance services are occasionally let as part of the wider contract with the main contractor often sub-contracting this element to specialist providers operating in that area.

#### 3.1.2.5 *Competitive environment*

The Compliance Division’s principal competitors vary by activity and by region and the market remains relatively fragmented. The current market share for the Compliance Division in its core regions is estimated to be circa five per cent.

The Division’s gas compliance business competes in the London and South East with a number of national players, including PH Jones, Mitie and Mears, and a number of local players, including T. Brown Group, Robert Heath Heating, BSW Heating and Smith & Byford.

The Division’s fire compliance business competes in London and the South East with Rentokil Initial and BBC Fire. Other competitors include Protec, ADT and Chubb.

The Division’s air and water compliance business competes nationally and in local markets with Clearwater Integrated Water Services, Aqua-Air Hygiene, Assured Water Treatment, Dantek Environmental and SMS Environmental.

The Directors believe that the Group’s competitive advantage in the compliance services market is based on its extensive service capability, wide base of technically qualified and skilled staff and an established service quality record in the relevant compliance areas the Group services. In addition, the Directors believe that there is only a limited number of companies that can provide the same range of compliance services, on the same integrated basis, as the Group does.

#### 3.1.2.6 *Future growth opportunities*

The Compliance Division will actively continue to seek to increase the range of compliance services it can offer, extending the Division’s activities into additional/complementary areas so as to create a comprehensive offering and thereby accelerate the opportunity for further revenue and market share growth. For example, a complementary area in which the Group is looking to expand is commercial gas services for large communal and public buildings which would supplement the Division’s existing predominantly residential gas compliance business.

The Directors believe its strategy for the Compliance Division can partly be achieved organically, for example, by leveraging the cross-selling opportunities that exist with clients in the Group’s other Divisions and through the provision of bundled services to existing Compliance Division clients, together with the strategic targeting of new clients and selective expansion into new geographies.

The Group will also seek to expand the Compliance Division by targeted acquisitions in those areas where it can further enhance and extend its service offering, for example, lift maintenance services would complement the Division’s fire compliance business.

### 3.1.3 **Energy Services**

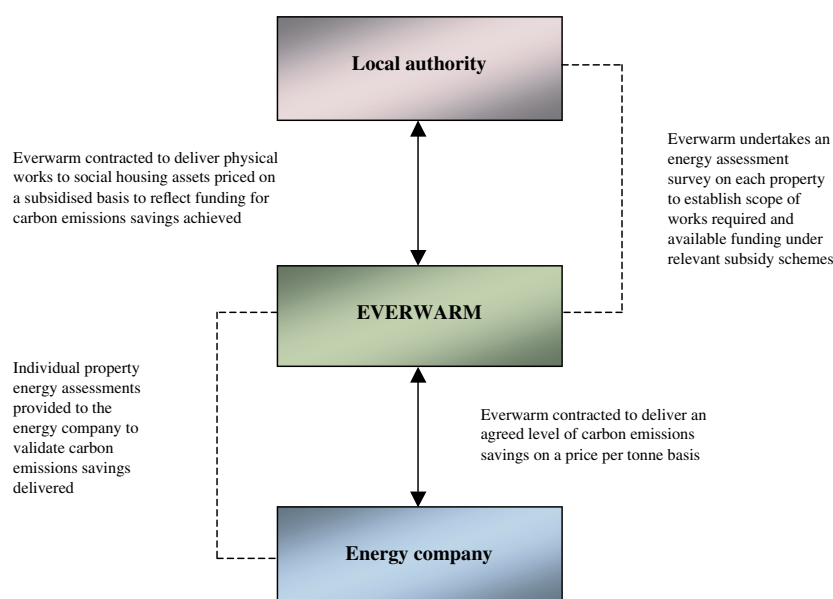
#### 3.1.3.1 *Clients and services*

The Energy Services Division trades primarily as Everwarm but also as Lakehouse in certain markets. The Division provides the installation of physical energy saving measures, such as solid wall, loft and cavity wall insulation and domestic energy efficient heating and renewable technology systems for social housing clients as well as private home owners.

In addition, the Energy Services Division contracts with energy companies to deliver carbon emissions savings, achieved through the works described above, on a price per tonne basis, which the energy company can, in turn, claim back from UK and local governments under a range of legislative subsidy schemes.

Under this structure, the Energy Services Division can, in effect, secure partial funding for the services it provides either directly or indirectly from subsidy schemes such that, in many cases, it is able to deliver the installation works at a significantly reduced cost for the underlying local authority, social housing landlord or private residential client.

The diagram below sets out the typical structure of the Energy Services Division's contractual arrangements:



The Energy Services Division delivers its services to local authority and registered landlord clients, predominantly in Scotland, including Glasgow City Council, Edinburgh City Council and Fife Council. The Group has also secured contracts to deliver services to clients in England, including the London Borough of Camden and Richmond Housing Partnership. The Energy Services Division currently has contractual and commercial relationships with five of the “Big Six” energy companies. By entering into contracts and/or frameworks with larger social landlords, the Energy Services Division is able to deliver agreed energy savings works to a significant number of properties thereby achieving larger aggregate carbon emissions savings from which to meet its obligations to the Division's energy company customers. Whilst, as a consequence, the focus of the Division has been the social housing market, the private domestic home owners market has grown alongside this and, as an established service provider to local authorities and housing associations, Everwarm is able to leverage this relationship to secure sales in the private sector, intending to exploit this further as an additional avenue for revenue growth in the future.

For the financial year ended 30 September 2014, the Energy Services Division had 44 principal clients and a number of smaller relationships. Its largest 10 clients accounted for 89 per cent. of the Division's revenues and 16 per cent. of the Operating Group's pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus) and its largest client accounted for 48 per cent. of the Division's revenues and less than 10 per cent. of the Operating Group's pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus).

The principal services provided by the Energy Services Division include the following:

- the installation of domestic insulation (loft, cavity and external solid wall) and heating system upgrade works; and
- the installation of ground/air source heat pumps, solar heating systems, solar photovoltaic systems and, more recently, smart meters and electric vehicle charging points.

The Energy Services Division also undertakes a number of planned maintenance activities that are related to energy services and sustainability but which are not directly funded via subsidy schemes, such as replacement windows. The Division also provides advice on how to improve fuel efficiency and maximise available funding on property portfolios.

The Energy Services Division contributed £22.9 million in revenue to the Operating Group in the financial year ended 30 September 2014 and Everwarm generated revenues of £39.1 million in the period from 1 October 2013 to its acquisition by the Operating Group on 16 April 2014. The Energy Services Division contributed Adjusted EBITA of £2.8 million to the Operating Group in the financial year ended 30 September 2014 and Everwarm generated Adjusted EBITA of £10.2 million in the period from 1 October 2013 to its acquisition by the Operating Group on 16 April 2014.

### 3.1.3.2 *Markets and key market drivers*

#### **General**

Energy sustainability and efficiency have gained increasing prominence on the political agenda with the goal of minimising CO<sub>2</sub> emissions from housing stock and addressing fuel poverty. A household is deemed to be in fuel poverty if 10 per cent. or more of the household's income is spent on energy-related bills. Energy costs have risen sharply in recent years, with further price increases expected in the future. As a result, the number of people falling into fuel poverty has risen and is expected to continue to rise. Both local authorities and housing associations have a legal obligation to tenants who are in this situation and to find ways to lower their energy bills.

The Directors consider that in order to succeed in the energy services market, it is important to develop a 'holistic' sustainable energy service encompassing the full range of energy efficiency and energy saving products and services.

#### **Key market drivers**

##### *Energy Company Obligation ("ECO")*

At present, the most significant energy subsidy scheme in operation is the ECO, which places an obligation on the major energy companies to fund measures that achieve carbon saving or reduce fuel poverty. Energy companies are able to satisfy their ECO obligations by delivering the relevant works themselves, by entering into bilateral agreements with installation companies and social housing landlords (which is the focus of the Energy Services Division) or by utilising a brokerage system.

Pursuant to these arrangements, the Energy Services Division will undertake an assessment for possible energy improvements on a social housing or private property, including a report and recommendations for the necessary works. The Division is then contracted by the property owner to carry out the required works and, in turn, Everwarm will provide its energy company clients with copies of these assessments to validate the carbon tonnage saved. Everwarm receives a contractually agreed price per tonne for carbon savings achieved through these works which the energy company will claim back against its own legislative targets. Changes to ECO were announced in December 2013 (and consultation concluded in April 2014). The targets that the energy companies will need to achieve by March 2015 (the first compliance period) and then by March 2017 (the second compliance

period) have been set and, therefore, the Group has good visibility of its likely sources of revenue over those periods and from 2017 to 2020 when the Directors believe that the policy is expected to be continued.

ECO comprises three schemes:

- *Carbon Emissions Reduction Obligation (“CERO”)*. Under this scheme the target is to achieve 14 Mt CO<sub>2</sub> lifetime savings by March 2015. This was originally aimed primarily at solid wall insulation but, following consultation, has been broadened to cover a wider range of measures.
- *Carbon Savings Community Obligation (“CSCO”)*. Under this scheme the target is to achieve 6.8 Mt CO<sub>2</sub> lifetime savings by March 2015. This focuses on the provision of insulation measures and connections to domestic district heating systems in areas of low income and rural areas.
- *Home Heating Cost Reduction Obligation (“HHCRO”) or “Affordable Warmth”*. Under this scheme the target is a £4.2 billion reduction in notional lifetime energy costs by March 2015 and primarily focuses on boiler replacement in qualifying (classed as low income and “vulnerable”) households.

#### *Home Energy Efficiency Programmes Scotland (“HEEPS”)*

In Scotland, there is additional funding available via HEEPS and which has benefited from the Division’s business. HEEPS comprises three schemes:

- *Area Based Schemes*. These schemes are worth £60 million per annum and can be used alongside ECO or other funding sources. HEEPS is allocated to local authorities who utilise the funding to deliver energy efficiency and sustainability works on both social and private housing.
- *Affordable Warmth*. This scheme leverages HHCRO funding from ECO.
- *Energy Assistance Scheme*. This scheme is worth £16 million per annum and targets poor and vulnerable households who may not be eligible to receive HHCRO funding.

An additional significant scheme operating in Scotland is the Energy Efficiency Standard for Social Housing (“EESSH”) which requires social housing landlords to ensure that their properties meet minimum energy efficiency standards by 2020. The cost of meeting EESSH has been estimated at £127 million per annum over the seven years to 2020 (*Source: Scottish Government*). Whilst there is no specific extra funding associated with EESSH, it is resulting in extra funding being reallocated by social housing landlords from other areas as they seek to meet the EESSH targets.

#### *Green Deal and other schemes*

In addition to ECO and HEEPS, there are a number of other funding sources that are applicable to the Energy Services Division, the most significant of which are:

- *Green Deal*. Under this scheme householders take out a loan to fund energy efficiency or renewable measures on their property which is then paid for via an additional charge on energy bills for that property. Take-up of loans under the Green Deal to date has, for the most part, been relatively low.
- *Renewable Heat Incentive (“RHI”)*. Under this scheme, the householder is incentivised to install renewable heating technologies, such as solar thermal and air source heat pumps. The scheme was launched in April 2014.
- *Feed-in-Tariffs (“FiT”)*. Under this scheme, the householder is incentivised to install micro-generation technologies, such as solar PV, both to generate electricity for the

household itself and to sell surplus electricity back to the national grid. This scheme has been established for a number of years.

#### *Future market growth in London*

HEEPS and EESSH, together with the relative cost efficiency of undertaking work in Scotland, as compared to London and many other parts of England, has meant that historically the Scottish market, in which the Energy Services Division primarily operates, is considerably more developed than the energy services market in England. In particular, to date there has been a relatively small amount of ECO-funded works delivered in London given the relatively higher cost of delivering the works themselves. However, there is growing political pressure for a greater share of the expenditure to benefit London with the Mayor of London seeking to secure the agreement of the energy companies to a memorandum of understanding pursuant to which they will be required to commit to invest more in London. The Directors believe this would be a positive development for the Group as it would support further cross-selling of the services provided by the Division into the clients and customers of the Regeneration and Compliance Divisions in London.

#### *Non-traditional housing stock in London*

There is a significant amount of non-traditional housing stock in London, that is, system-built or prefabricated housing, usually constructed from timber, concrete or metal. The use of prefabricated housing became popular in the second half of the 20th century and was particularly prevalent in London to house the influx of immigrants that arrived after the Second World War and continued for the next 30 years as a solution to the large demand for new and replacement housing. Levels of fuel poverty are generally higher in non-traditional housing stock as their construction is less conducive to heat retention. This, therefore, represents an additional key market driver in the growth of the energy sustainability market as moves are made to upgrade the energy efficiency of social housing stock which comprises such types of dwelling, thereby creating an additional growth opportunity for the Energy Services Division.

#### *Smart metering*

The UK Government plans to install both electricity and gas “smart meters” in all homes and small non-domestic premises by 2019, such that 53 million smart meters are due to be installed across 30 million domestic properties and non-domestic properties between 2014 and 2020. Under the UK Government proposed plans for the roll-out of smart meter systems, energy companies are bearing the capital costs of the programme, which have been estimated at £10.9 billion (*Source: Department of Energy and Climate Change Impact Assessment, 30 January 2014*), recovering these costs from customers through an additional charge on consumers’ utility bills.

#### *Electric vehicle charging*

The principal driver in the electric vehicle charging points market is the UK Government’s commitment to invest in the installation of the charging infrastructure necessary to convert car owners to electric vehicles as the uptake of electric vehicles continues apace. The Energy Services Division is an approved contractor for a number of charging point manufacturers including Schneider and Chargemaster.

#### 3.1.3.3 *Addressable market*

It is estimated that ECO measures are worth £722 million for 2014/2015, rising to £859 million for 2015/2016 and then £780 million for 2016/2017 (*Source: Department of Energy and Climate Change Impact Assessment, 27 October 2014*). In addition, the Directors estimate expenditure on other household energy efficiency programmes, including Green Deal, FiT and HEEPS, of £300 million in 2014/2015. In 2014/2015, expenditure on private household boiler replacement is estimated to be £3.0 billion. The Directors believe that the

Energy Services Division's current key market of Scotland is worth an estimated £0.8 billion in 2014/2015 and that the potential markets for energy services in the Group's other core geographies of London, the South of England and the East of England may be worth a further £1.1 billion in 2014/2015 (*Source: PMSI estimates and analysis of Department of Energy and Climate Change monthly statistics and Impact Assessment, 27 October 2014, Scottish Government announcements and data derived from the Department for Communities and Local Government*).

#### 3.1.3.4 *Procurement process*

The procurement of energy services typically falls into two categories: the first category is undertaken by the local authority and the second by the funding organisation, typically the energy company.

In the case of the local authority, the procurement process is typically undertaken in accordance with the OJEU process (described in more detail in paragraph 3.2 below), in a similar manner to that of the Group's other Divisions. Projects are typically procured on a one to three year timescale and encompass the full range of the Energy Services Division's services. In addition, there are multiple smaller, localised procurement packages, often covering a specific locality or group of properties, which are usually of a shorter timescale and determined by availability of budgets.

In the case of the energy companies, the procurement process commonly takes the form of a tender process managed by the energy company with contracts awarded based on quality and commercial competitiveness. Typically, these contracts will set out an overall level of carbon savings to be achieved on an annual basis and corresponding price per tonne payable.

Although both tendering processes operate separately, an important feature of the overall process is that the award of contracts is effectively complementary, enabling the Division to co-ordinate activity between housing stock owners and the funding organisations to deliver both housing stock improvements and carbon savings. The Directors believe that a key strength of the Energy Services Division is the relationships it has with both groups of clients and its ability to deliver against both sets of clients' key strategic objectives.

#### 3.1.3.5 *Competitive environment*

The Division is one of only a small number of providers which have the direct manpower and capability to compete across the traditional insulation installation, planned maintenance and facilities management sectors. The Directors believe this is an important differentiator of the Energy Services Division and the Group's capability and resources to cover these areas is an important competitive advantage, as recent contract awards under the London Borough of Brent Green Deal Framework and the Broadlands/Norwich Framework demonstrate.

The Division's principal competitors in the traditional insulation installation sector include Mark Group, Dyson Energy Services, A&M Energy Solutions and Domestic & General Heating while competitors in the planned maintenance and facilities management sector, encompassing more complex works such as solid wall insulation across a large number of properties include Keepmoat, Wates Group and Willmott Dixon Group.

The Directors believe that the Group's competitive advantage in the energy services market is based on its direct delivery model, its ability to deliver its services to social and private housing customers, its ability to assess and access relevant grant and subsidy funding for its clients, the strength of its client relationships (both with local authorities and five of the "Big Six" energy companies) and its strong position in the more advanced Scottish energy efficiency market, which provides a solid platform from which to generate further growth through cross-selling.



The Directors believe the Energy Services Division is well-positioned to remain a core provider of services to the energy companies, despite the recent trend to streamline the number of supply chain partners as a result of the increasing focus by these companies on service delivery and the quality of service experienced by residents.

#### 3.1.3.6 *Future growth opportunities*

The Directors believe the energy services market represents a significant potential growth opportunity for the Group. A key element of the Energy Services Division's growth strategy is to grow revenues and market share by cross-selling its energy services into the Group's core markets of London, the South of England and the East of England. The Directors consider that the Group is well-placed to benefit from early mover advantage in London following the successfully integrated sustainable energy offerings and expertise resulting from the acquisition of Everwarm. In addition, future growth opportunities exist through expanding the Division's service offering into adjacent regions should appropriate opportunities to do so arise and the further penetration into the non-domestic energy efficiency market.

The Directors also believe there is an opportunity in the future to broaden the Division's offering into a number of existing, but nascent markets, such as the installation and maintenance of electric vehicle charging points and smart meters.

The proposed national smart meter roll-out represents a significant opportunity for those energy services providers, such as the Energy Services Division, able to provide comprehensive installation, maintenance and repair services as part of a broader energy services offering as the initiative is viewed by customers as a further means of addressing rising consumer energy bills. Similarly, the Group's existing relationships, both with social housing providers and with the energy companies, should prove beneficial in seeking to win a share of this potential market. The Group may seek, as part of its acquisition strategy, to acquire companies or businesses which operate in the smart metering sector, should appropriate opportunities arise.

### 3.1.4 **Construction**

#### 3.1.4.1 *Clients and services*

The Construction Division delivers extension, refurbishment and some small scale new build works.

Work carried out for the Division's local authority client base in London and the South East is predominantly in the education sector (representing approximately 90 per cent.) and, in particular, in relation to primary schools. The remaining work is delivered in respect of public buildings, such as fire stations, libraries, crematoria and leisure centres, Ministry of Defence properties and health facilities.

In education, clients typically require the extension, refurbishment and maintenance of existing school buildings, as well as, in certain cases, the construction of new schools. Clients of the Division are primarily concentrated in London and South East, where demographic influences have underpinned growth in demand for the services provided. Key clients include the Royal Borough of Greenwich, the London Borough of Lewisham and Hertfordshire County Council. The Construction Division engages directly with the end client and does not act as a sub-contractor to main contractors.

For the financial year ended 30 September 2014, the Construction Division had 45 principal clients and a number of smaller relationships. Its largest 10 clients accounted for 72 per cent. of the Division's revenues and 16 per cent. of the Operating Group's revenues and its largest client accounted for less than 20 per cent. of the Division's revenues and less than five per cent. of the Operating Group's revenues.

The Construction Division is selective in the types of public building construction contracts it considers for tender and will seek to avoid projects that it considers to be a high risk. The Division targets projects of between approximately £500,000 and £5.0 million with an average contract value of approximately £1.5 million. Whilst the Division may consider contracts with a value of above £5.0 million, where appropriate, it is unlikely that it would undertake many of these at any one time or undertake any projects with a value in excess of £8.0 million. A typical £2.0 million scheme will provide 210 pupil places. The Construction Division does not undertake PFI work as a primary contractor and typically seeks to tender for wider, long term framework contracts rather than for contracts at individual free schools or academies.

The Division's management team, all of which are experienced education sector specialists, includes managing surveyors, quantity surveyors, contracts managers, design managers and coordinators. Its contracts work is delivered through an established chain of sub-contractors and suppliers. The Division has established a reputation for the successful delivery of construction projects on time and to budget, many of which are registered with the Considerate Constructors Scheme, and it has received awards for the way in which it manages the construction process.

The Construction Division contributed £78.5 million in revenue to the Operating Group in the financial year ended 30 September 2014 and generated Adjusted EBITA of £2.5 million in the same period.

#### 3.1.4.2 *Markets and key market drivers*

##### **General**

Whilst public sector funding for the construction, extension and refurbishment of public buildings has been reduced in recent years and further cuts or delayed spending remain likely whilst the UK continues to emerge from recession, in the 2013 Budget, the UK Government announced that the Departments of Education and Health, respectively, will continue to be protected from further cuts. Education spending will be protected from cuts until at least the 2015/16 spending round when it will be assessed again. As a consequence, the Construction Division is relatively well-protected, at least in the short term, from any significant decrease in available public funding for the projects on which it works. Given the current shortage of school places referred to below and that this is likely to continue through the education system over the medium to long term, the Directors believe that, given its niche sector focus, the Division should continue to remain relatively well insulated from any changes in public spending focus in the education sector as a whole.

Given the high usage made of public buildings, refurbishment, improvements and upgrades are undertaken regularly, thereby providing good, recurring revenue opportunities for the Group. Whilst spending on new construction has reduced as a consequence of reductions in the UK Government funding available to local authorities to spend on public infrastructure and facilities, the Directors believe that there will continue to be a strong pipeline of future refurbishment and extension opportunities as those local authorities direct such funding as is available to existing infrastructure and facilities.

##### **Key market drivers**

###### *Basic Needs programme*

The focus of UK Government spending on schools has shifted in recent years. The previous UK Government introduced Building Schools for the Future ("BSF"), a programme which concentrated on the construction of large new schools. BSF, whilst delivering significant spending on educational facilities, was widely seen as being an unsuccessful and costly programme. It also resulted in a reduction in demand for maintenance and refurbishment programmes as local authorities sought funding for investment in new projects. Following its election in 2010, the Coalition Government cut the BSF programme, with the majority

of projected works brought to a halt, and replaced it with the Basic Needs programme (“Basic Needs”), which is focused on refurbishment and extension projects.

The Basic Needs programme addresses the demand for maintenance and refurbishment and, as a result, in the view of the Directors, is more favourable to the Group as refurbishment and extension projects are a particular area of expertise of the Construction Division. The UK Government has ring-fenced funding of circa £1.6 billion for Basic Needs programmes within the Division’s markets of London, the South of England and the East of England. This funding is set to be available until at least 2016.

#### *Demand for school places*

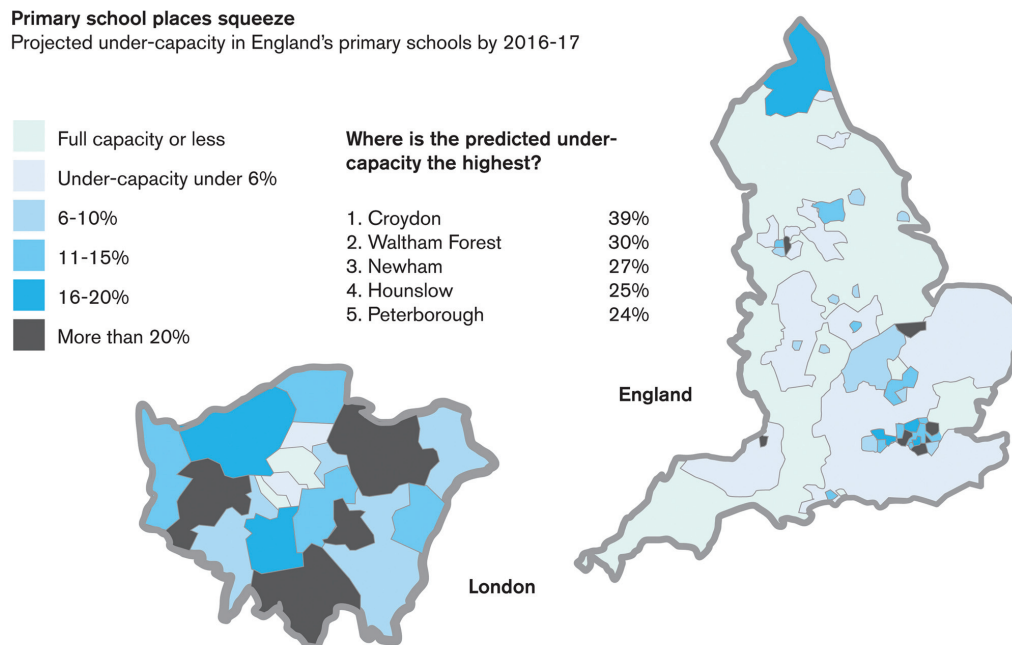
There is an acute shortage of capacity in schools and it is estimated that almost one million extra pupil places will be required across the UK by 2023 (*Source: Department for Education*). In London, in particular, the demand for school places, most notably in primary schools, significantly outstrips supply, with an additional 133,000 places estimated to be required by 2018 (*Source: London Councils, July 2014*). This, in turn, is having a consequential effect in the counties surrounding Greater London.

At present, construction funding is predominantly being directed at primary schools where the shortage of places is most acute. However, the trend towards an increasing shortage of available places is expected to move through the education system with likely future growth and spending targeted towards the secondary school market. With a commitment made by the UK Government not to increase class sizes, the need for more pupil places will need to be met by other means.

In order to achieve this, school sizes will need to increase overall with more classes provided. This is further increasing demand for school extensions and refurbishment programmes which plays to the strengths of the Construction Division.

#### **Primary school places squeeze**

Projected under-capacity in England’s primary schools by 2016-17



Source: LGA using official DFE data (2012-13)

#### 3.1.4.3 *Addressable market*

The Construction Division's market is expected to remain stable, supported by increased demand for school places and the current ring-fencing from UK Government cuts. The total UK market for education was £6.8 billion in 2014 (*Source: Construction Products Association*) and of the regional markets relevant to the Construction Division, London was the largest (at £1.5 billion) followed by the South East (at £1.1 billion) and the East of England (at £0.8 billion) (*Source: Department for Education data and PMSI analysis*).

#### 3.1.4.4 *Procurement process*

The majority of work undertaken by the Construction Division is delivered under framework agreements procured in accordance with the OJEU process (described in more detail in paragraph 3.2 below). Most of these frameworks are typically for four year terms and are not usually extended; there tends to be a minimum of three contractors and a maximum of seven on a framework agreement. These contractors (or a subset of them) will then bid on individual project opportunities in a competitive mini-tender process.

Some of the Division's key frameworks are operated by networks of local authorities working together (for example, Smarte East, covering Essex, Hertfordshire and Suffolk County Councils) and other local authorities may also pay to participate in an already-established framework (which could be outside their area) rather than set one up themselves.

#### 3.1.4.5 *Competitive environment*

With revenue of £78.5 million generated in education in the financial year ended 30 September 2014, the Construction Division has a market share of approximately one per cent. of the UK education construction market. In its addressable markets of London, the South of England and the East of England, the Division's market share increases to approximately three per cent.

The competitive environment is diverse and other companies operating in the same market include larger contractors, such as Morgan Sindall Group, Kier Group and Vinci Construction UK, as well as smaller companies such as The Ashe Group, Neilcott Construction Group and Borrás Construction. Small local firms are also a key part of the competitive landscape in specific regions. In addition, modular providers, such as Elliott Group, also operate in the education sector.

The Construction Division seeks to differentiate itself from its competitors by concentrating on its core strengths in refurbishment and extension projects in the education sector and on service quality and client focus.

#### 3.1.4.6 *Future growth opportunities*

As part of its growth strategy, the Group intends to increase the Construction Division's share of its niche markets in education and public buildings by capitalising on its core strengths and expertise so as to take advantage of the market drivers. However, the Directors expect the relative contribution of the Division to the Group's overall financial performance to diminish over time as, in line with its strategy, Lakehouse focuses on expanding the product and service offerings of its Regeneration, Compliance and Energy Services Divisions, where it believes higher margins can be achieved.

### 3.2 *Procurement and tendering*

#### 3.2.1 **Identification of new business opportunities**

As referred to above, the Group generates opportunities across all of its Divisions from two principal sources:

- OJEU – All publicly procured 'works' valued at over £4.3 million are required to be advertised in the OJEU and interested parties are required to submit an expression of

interest. Approximately 90 per cent. of all contracts and/or frameworks for which the Group competes (excluding the Group's Energy Services Division) are procured under the OJEU process.

- Direct tender – If the tender value is below the OJEU threshold or the relevant client is not subject to the OJEU regulations, then the client is entitled to procure directly from the service provider (for example, a significant proportion of the services provided by the Energy Services Division and other contracts under existing framework agreements).

In order to identify new opportunities and to secure new business, the Group uses market intelligence and existing client relationships as well as bespoke third party market information and intelligence systems to build up a picture of contracts likely to be put out to tender in the short, medium and longer term. This enables the Group's management team to identify and prioritise contract opportunities at an early stage and to carry out the necessary preparatory work and to plan resources accordingly ahead of the commencement of the tender process. The Group has a centrally-managed, locally-based Commercial team of 44, with specialist abilities across all disciplines, who review live opportunities weekly and select those in which they believe the Group is best-positioned to compete. The Commercial team has in place robust processes and procedures for identifying and selecting which opportunities to pursue. These were established following the strategic review in 2008 and have been strengthened and developed since then. These combine to form a well-invested, scalable platform designed to be able to support the Group's continued growth plans and to drive profit through greater efficiency in, and control over, the identification and selection of appropriate opportunities and the bidding process. Opportunities are screened on the basis of strategic fit, risk and economic viability and the Directors believe that this targeted approach has resulted in improved bid success and more robust contract performance across the Group.

### 3.2.2 The tender process

The initial stage of the OJEU tender process requires the Group to complete an extensive pre-qualification questionnaire ("PQQ"), the responses to which prospective customers use to determine whether or not to select or "pre-qualify" the Group to enter the formal tender process for the relevant contract or framework. On a Group wide basis, as at December 2014, the success rate at the pre-qualification stage stood at approximately 91 per cent.

Where the Group is successful at the pre-qualification stage, a comprehensive bid tender will be prepared on which the Group will be judged against a range of metrics, including cost and service quality measures. The central Commercial team work with the relevant Division submitting the tender and the Group's finance team to scope, document and submit the relevant bid.

Tenders for contract values in excess of £1.0 million at margins of less than 5 per cent. require the approval of an Executive Director prior to submission. Divisions with revenues of less than £50.0 million per annum require the Group Commercial Director's approval for all bids of a value over £1.0 million prior to submission and Divisions with revenues of more than £50.0 million per annum require the Group Commercial Director's approval for all bids of a value of more than £2.5 million prior to submission. Tenders for contract values in excess of £5.0 million require the approval of an Executive Director prior to submission.

The preparation of tender proposals, within the markets where the Group operates, is highly complex, requiring detailed cost and materials estimation as well as a clear understanding of individual customer needs as to service delivery structuring and quality aspirations. As a consequence, the competitiveness of the Group's bid proposals relies, to a large extent, on the expertise and experience of the Commercial team. The Group continually seeks to improve and develop the skills and capabilities of its estimating and bid personnel in order to ensure that contract pricing is estimated and calculated in a robust and auditable manner. As at December 2014, the Group's overall success rate (on a 12 month rolling basis) at the final tender stage was approximately 35 per cent. by value (comparing favourably to what the Directors estimate

is the industry average of 25 per cent.). The Directors believe that these are significant achievements given the scale and diverse nature of the Group's competition and the involved processes for public sector tendering through OJEU and framework agreements.

Within existing frameworks, the process for securing individual project work may be either competitive (where the Group is one of a number of competing contractors) or negotiated (where the Group, as sole contractor, is asked to submit a price to the client).

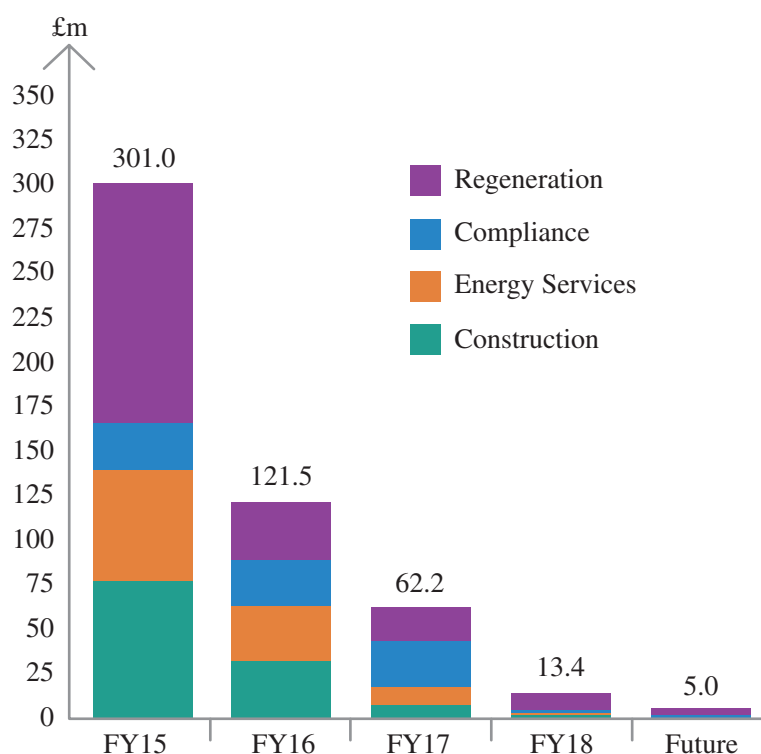
### 3.3 **Order book and pipeline**

#### 3.3.1 **Order book**

In calculating the value of its order book, the Group's secured contracts and framework agreements are treated as follows:

- *Contractual order book.* Where an order is represented by a signed contract, with known contract terms, the entire value is included subject to any adjustment based on Senior Managers' estimates for the timing of the relevant project.
- *Senior Managers' estimates of frameworks.* Where the Group is party to a framework agreement that defines the overall services to be provided (and their potential total value), but where actual projects are subject to future call off (whether on a competitive or negotiated basis), the Group derives an estimated order book value of predicted future revenues based on a number of factors, including historical trends, discussions with clients and/or known available client funding levels.

As at December 2014, the Group's order book stood at approximately £503 million, constituted as follows:



Source: Lakehouse internal data, December 2014.

#### 3.3.2 **Pipeline**

In addition to the order book, the Group has a pipeline of identified future sales opportunities which include contracts at various stages of the bid process as well as those where a formal bid process has yet to begin. These opportunities are recorded in the Group's "Sales Achiever"



system and classified based on the stage each such opportunity has reached. The status of each opportunity is reviewed on a weekly basis by the Group's Commercial team:

- when the Commercial team first becomes aware that a contract within the Group's geographical and/or service coverage areas may become available to tender, it will be recorded as a "blue sky" opportunity although not included in the tangible pipeline;
- "pre-sales" opportunities reflect those where the Group has decided to pursue the potential contract and where a relevant business development manager may be actively marketing but no formal bid process has yet commenced;
- once the bid process begins, the opportunity will be classified as "PQQ"; and
- if successful at the PQQ stage, bid opportunities will be reclassified as a "formal tender" awaiting the outcome of the final contract award.

As at December 2014, the Group's total sales pipeline amounted to, in aggregate, approximately £4.6 billion. Of this, the Group's tangible pipeline, that is, its pipeline excluding "blue sky" opportunities, totalled £2.6 billion, with £1.1 billion representing opportunities where the Group expected to tender shortly, opportunities subject to ongoing tenders and opportunities subject to tenders already submitted.

As at December 2014, the sales pipeline breakdown by Division was as follows: Regeneration: approximately £2.5 billion (approximately £884 million tangible); Compliance: approximately £582 million (approximately £428 million tangible); Energy Services: approximately £277 million tangible; and Construction: approximately £1.2 billion (approximately £1.1 billion tangible).

	<i>Regeneration</i> Value £m	<i>Compliance</i> Value £m	<i>Energy Services</i> Value £m	<i>Construction</i> Value £m	<i>TOTAL</i> Value £m
Pre-sales: leads and opportunities	274	141	17	255	687
Pre-qualifications: current, submitted, pending	292	106	125	335	858
Tenders: current, submitted, pending	318	181	135	466	1,100
<b>TOTAL</b>	<b>884</b>	<b>428</b>	<b>277</b>	<b>1,055</b>	<b>2,644</b>

*Source: Lakehouse internal data, December 2014.*

## 4. Key strengths and strategy

### 4.1 Key Strengths

The Directors believe that the key strengths of the Group are:

- *Strong brands and established reputation*

The "Lakehouse" name and brand, together with the trading names of the Group's operating subsidiaries, K&T Heating, Allied Protection, Foster Property Maintenance, Everwarm and H2O Nationwide, are well-established within their sectors, having provided reliable, high quality, cost-effective services over a number of years to longstanding local authority, housing association and energy company clients.

Since its inception in 1988, Lakehouse has established a reputation as a leading, fast-growing, local provider of asset and energy support services to its clients, viewed by many as a "provider of choice" for their regeneration, compliance and energy service needs in respect of their social housing assets.

- *Proximity to, and strong longstanding relationships with, customers*

The Group serves a large number and broad range of clients, including local authorities, housing associations and five of the “Big Six” energy companies. As a consequence, in the financial year ended 30 September 2014, no single client accounted for more than ten per cent. of the Operating Group’s pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus) and its largest 10 clients accounted for approximately 50 per cent. of Operating Group pro forma revenues (as set out in Section B of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus).

The nature of the services delivered by the Group is such that work is typically procured through the competitive tendering of long term contracts or framework agreements and therefore the ability to establish, develop and maintain relationships with clients is essential. By establishing productive relationships with its clients, Lakehouse has been able to use its in-depth knowledge of the challenges that clients face to anticipate and respond to their requirements better and so to enhance the quality of the services delivered, thereby increasing the Group’s chances of successfully securing contract renewals and extensions.

Furthermore, the Directors believe that the knowledge and clients understanding gained through these relationships enables the Group better to develop and refine contract and framework tenders and so to compete more effectively in the procurement processes for its services.

The Group’s clients face increasing budgetary pressure to deliver essential services on a more cost-effective basis. As a consequence, the Directors believe that an increasing number of publicly funded services will be outsourced to third party providers, such as Lakehouse, and that public sector bodies will seek to maximise the efficiency of this through the consolidation of their supply chains. The longstanding nature of many of its key client relationships has enabled the Group to leverage its market positions to secure new business from existing clients and positions Lakehouse well to continue to benefit from these trends.

As its clients seek to expand the range of services procured, from a more focused number of providers, the Directors believe the Group’s strong, existing relationships with a number of local authorities, housing associations and other social housing landlords ideally positions it to deliver “bundled” offerings encompassing a range of services from across its Divisions.

- *Well-positioned in attractive markets*

The Group has focused its business model and service offering on those markets where the Directors believe there are attractive, long term growth characteristics. The nature of the Group’s clients and customers, being principally local authorities, housing associations and energy companies, and the demographic, regulatory and UK Government policy environments in which they operate, has meant that the Group’s businesses have proven resilient during the economic downturn, and provides a strong platform and base for future growth as the economy recovers.

The Directors expect that the Regeneration market will benefit from a number of structural growth opportunities, principally driven by increasing demand for properly maintained, quality social housing, which remains a key political issue for all of the UK major political parties. This is reinforced by recent changes in legislation under the HRA reforms, which have placed greater control over funding and responsibility for housing maintenance in the hands of the Group’s social landlord clients. In addition, the Group’s Regeneration business is focused on London and the South East of England where the shortage of available social housing is particularly acute and consequently the requirement to maintain and refurbish existing stock is high. Regeneration services have been the core activity of the Group for a number of years and the Regeneration Division has secured, extended and retained a number of significant contracts with major social housing clients in London and the South East of England. Through the acquisition of Foster Property Maintenance, the Division has extended its geographical reach

into the East of England and diversified its operating model. Consequently, the Directors believe that the Regeneration Division has achieved a strong market position, underpinned by significant, longstanding relationships that position it well to capitalise on the above opportunities.

Compliance services are often mandatory, placing increasing obligations on the Group's clients, in particular social housing landlords, to comply with relevant legislation. Given the specialist nature of the work involved and, in certain cases, a requirement for industry accreditation, the Directors believe that the barriers to entry into the compliance services market are relatively high. Health and safety legislation and the resultant codes of practice for local authorities, housing associations and other social housing landlords are evolving and, the Directors believe, likely to cover expanding remits in the future. The Directors believe the Group's established presence in this market ideally positions it to service its customers' demand for an increasing range of compliance services.

The market served by the Energy Services Division has grown significantly in recent years, underpinned by an increasing international focus on sustainability as well as socio-economic factors associated with rising fuel costs. The Directors believe that this market will continue to grow in response to the pressures of increased energy demand amongst its consumers together with the increased cost of infrastructure investment in new UK energy generation. To date, the Energy Services Division's activities have been focused on Scotland, which is more developed than the market in England, where it has established a market leading position. However, the Directors believe that the opportunity within the English market is significant, driven by increasing political pressure to accelerate investment in sustainability initiatives. The Directors believe that the Energy Services Division is well-placed to take advantage of this expected market growth in England, leveraging its operational experience, established reputation and longstanding relationships with the energy companies to deliver energy services to the Group's core social housing clients in London and the South of England. In addition, the Directors believe that the energy services market is fast-evolving in both the public and private sectors with the potential for initiatives, such as the installation of smart meters and vehicle charging points, to develop into attractive markets well-suited to the Group's strengths.

The Construction Division's activities focus on smaller scale projects, predominantly in the education sector. This niche market, particularly in the Group's core geographical focus of London and the South East, is expected to be supported by underlying demographic trends leading to growing demand for school places. Much of this demand will be met by lower cost building refurbishment and extension, which is the Division's area of focus, rather than the construction of new schools. In the longer term, the Directors expect this demand to migrate through to the secondary school sector as primary school pupils move through the education system. Whilst not the principal area of focus for the Group in the future, the Directors believe the Construction Division's established reputation and service capabilities in its niche markets enhance the Group's relationships with key local authority clients and provide a solid platform from which to cross-sell the Group's other services.

- *Well-invested, scalable commercial platform capable of supporting future growth*

As the majority of the Group's services are procured under long term contracts and framework agreements, many of which are subject to the OJEU process, commercial disciplines, including bid management, estimating and procurement, are critical to Lakehouse's ability to compete effectively for new work and ensure the successful financial performance of its contracts. Since 2008, the Group has invested significantly in its bidding, estimating and procurement teams with a resulting increase in its bid success rate at both the PQQ and final tender stage. In addition, the creation of the central Commercial function in 2014 has provided added technical support between the bidding and Divisional teams enabling Lakehouse to maximise bid opportunities, minimise commercial risks, enhance its effectiveness in dispute resolution and ensure best practice is shared across the Group. The Directors believe that this commercial

infrastructure has been critical to the Group's significant growth in the last few years and provides a scalable platform from which to support future organic and acquisitive growth.

- *Good visibility of forward revenue streams through a strong order book and robust pipeline of identified sales opportunities*

The nature of the customer bases of the Group's Divisions, predominantly local authorities and housing associations, provides the Group with good visibility of, and the ability to predict, future income streams. This enables Senior Management to plan resources accordingly, control expenditure and anticipate risks. The Group has a large number of service contracts and framework agreements of significant value already secured for future years (contracts tend to range between three to ten years before being retendered) which give it sight, and enable Senior Management to make more reliable estimates, of future revenues based on the nature and length of each contract.

As at December 2014, the Group's order book stood at approximately £503 million. In addition, as at December 2014, the Group's tangible sales pipeline amounted to, in aggregate, approximately £2.6 billion.

- *Attractive financial profile and consistent record of delivering growth*

Since 2008, the Group has deliberately focused on growing its existing Regeneration, Compliance and Energy Services Divisions organically and by acquisition, expanding its service proposition to clients and increasing its ability to generate and maintain higher margins and stronger cash returns. For these reasons, the Group, going forward, will continue to focus its growth strategy on these activities which generate the desired higher margins compared to construction activities, where margins tend to be lower.

The Operating Group has shown substantial revenue and Adjusted EBITA growth over the past three financial years and was recognised as the highest mover in the Construction News list of Top 100 contractors by turnover for 2014. The Group has achieved this growth in a challenging market, delivering attractive margins in a competitive environment, and the Directors expect to continue this momentum as the UK economic recovery progresses. It has been achieved through a combination of strong service delivery, which helps the Group to maintain existing contracts and to win new ones; supply chain management, which controls costs and service delivery for clients; maximising existing product and service cross-selling opportunities; and the ability to undertake and integrate strategic acquisitions, which have served to expand the Group's geographical footprint, broaden its service offering and to create additional cross-selling opportunities for the Group to exploit.

- *Proven track record of successful acquisitions*

The growth delivered by Lakehouse in part reflects its strong track record of acquiring and then integrating businesses to complement and enhance its organic growth profile. Since 2008, the Group has actively sought to identify and acquire businesses that would provide it with complementary service offerings, expand its geographical reach and/or provide the opportunity to generate higher margin sales and improve cash generation. The expansion of the Regeneration Division through the acquisition of Foster Property Maintenance, the establishment and development of the Compliance Division, through the acquisitions of K&T Heating, Allied Protection and H2O Nationwide and the significant investment in the Energy Services Division with the acquisition of Everwarm, reflect the Group's commitment to this acquisition strategy.

In addition to identifying acquisition opportunities, the Directors believe that the Group has been successful in both integrating these businesses and realising the anticipated operational and financial benefits. The Group has a dedicated senior manager who is responsible for co-ordinating the integration of new acquisitions to ensure successful delivery of these expected benefits. Following their acquisition, each of Foster Property Maintenance, K&T

Heating, Allied Protection and Everwarm has achieved organic growth through the use of the Group's infrastructure and making the best use of the cross-selling opportunities afforded to them by being a part of the Group.

- *A strong, experienced and integrated management team whose interests are aligned with those of Shareholders*

Both the Directors and other members of the Senior Management have significant experience and expertise in the sectors and markets in which the Group operates. Stuart Black was appointed as Executive Chairman of the Group in March 2008 to create and shape the Group's growth strategy. Together with Sean Birrane, the Chief Executive, Mr Black has been instrumental in the Group's recent development including the integration of five strategic acquisitions since 2011 and the successful implementation of a strategy focusing on further strengthening and growing the Group's positions in its key markets. With all of Lakehouse's core services being represented as part of the Senior Management, the Group's management is cohesive and integrated, enabling it to capitalise on cross-selling opportunities and to ensure a "holistic" service offering for its customers and clients.

## 4.2 *Strategy*

The Group's corporate objective is to grow and develop a sustainable business for the benefit of all of its stakeholders. The principal means by which it intends to achieve this is to continue building and extending its presence in its key markets and to be its clients' partner of choice through the provision of consistent, high quality and multi-dimensional offerings across its core Divisions of Regeneration, Compliance, Energy Services and Construction.

As part of this strategy, and as described in more detail in paragraph 3 above, the Group intends, specifically, to focus upon:

### *Organic growth and increasing market share*

Lakehouse will continue to seek to increase its levels of business from existing clients and to win new clients in its existing markets. The Directors believe that there is a significant opportunity to capitalise on the high quality, longstanding relationships it has established with its clients as well as its established reputation for reliability, service quality and successful delivery of cost-effective services, thereby increasing the Group's market share in its key markets. As at December 2014, the Group's tangible pipeline (excluding "blue sky" opportunities) stood at approximately £2.6 billion and the Directors believe that the Group is well placed to compete effectively for this work and achieve further secured orders on attractive financial terms.

### *Cross-selling of services*

The Directors believe there is a considerable opportunity to benefit from the increasing focus on procurement efficiency and supplier rationalisation within its core client base by providing multiple or "bundled" services to individual clients. The Group's local authority and housing association clients frequently outsource a number of their essential services to third party providers and, in many cases, procure services from other parties which the Group is capable of offering.

Each of the Group's Divisions has significant, longstanding client relationships within their respective geographies and the Directors believe this represents an opportunity for the Group to promote the leading service capabilities of its other Divisions to these clients and so offer a more comprehensive service offering that rationalises the client's supply chain and therefore offers an attractive operational and financial solution for both the client and the Group. In the short term, the Group will focus its cross-selling initiatives in the following areas:

- Energy Services: delivered to Regeneration and Compliance clients in London, the South of England and the East of England;



- Compliance services: delivered to Regeneration clients in London, the South of England and the East of England; and
- Regeneration and Compliance services: delivered to Everwarm's Energy Services clients in Scotland.

The Group has already achieved success in cross-selling its services between Divisions, including securing bundled contracts with the London Borough of Barking and Dagenham (Regeneration, Compliance (Gas and Fire) and Construction), the Richmond Housing Partnership (Construction and Energy Services) and the London Borough of Camden (Construction and Energy Services) and the Directors believe this element of the strategy will grow in importance for the Group over the medium term.

#### *Expansion into complementary markets and adjacent geographies*

Since 1988, the Group has sought to broaden the range of services it can provide to its customers, expanding from construction and regeneration into compliance services and then subsequently into energy services. Going forward, the Directors intend to pursue further opportunities, both organically and by focused acquisitions, to provide additional services within the wider social housing sector.

The Group intends to explore opportunities to expand its presence in its core markets and geographies and in other markets and geographies with attractive growth characteristics. The Directors will look to leverage the Group's existing capabilities, expertise and broad service offering together with its understanding of local client requirements so as to continue developing its geographical footprint beyond London, the South of England, the East of England and Scotland.

#### *Roll-out of the direct delivery operational model*

The Group delivers its services through a combination of third party sub-contractors, its own employees and self-employed contractors. The latter two direct delivery models, which are operated by the Compliance Division, the Energy Services Division and Regeneration (East), are capable of delivering higher contract margins than the traditional third party model. Consequently, the Directors will, in the medium term, seek to replicate the higher margin direct delivery model across other areas of the Group where it is appropriate to do so. The Directors believe that this should produce additional benefits not only in terms of improved profit margins but also in terms of increased brand recognition and awareness amongst its client base as well as higher levels of service.

#### *Targeted complementary acquisitions*

The Group will continue to look to broaden and enhance its capabilities and accelerate its growth profile through targeted acquisitions. The Directors believe that there are opportunities to pursue acquisitions which build further presence in the Group's core local authority and housing association markets; broaden the Group's service proposition by adding services which are complementary to its existing service offering and which can offer further opportunities to cross-sell these services; extend coverage into adjacent or other geographies; and provide the opportunity to enhance operating margins and improve cash generation.

In particular, should appropriate opportunities arise, in the short term the Group would seek to make acquisitions in the following areas:

- Regeneration: businesses providing responsive repair and maintenance services;
- Compliance: businesses providing additional gas and water compliance services as well as those involved in lift compliance; and
- Energy Services: businesses specialising in energy procurement services and smart metering.

The Group has a successful track record of delivery regarding this element of its strategy, having successfully acquired and integrated five businesses since 2011, which have enhanced its



regeneration, compliance and energy services offerings. The Directors view acquisitions as an attractive way to accelerate its growth plans.

## 5. Health and safety

Employee health and safety is of high importance to, and a central focus for, the Group and its track record is good and well regarded externally. The Group's ambition is to attain an industry-leading position in this area, setting standards and using its position to raise the standards of the contractors that it employs. In order to achieve this goal, the Group formed the Lakehouse Health and Safety Legacy in 2012, which is a health and safety training programme that exceeds industry standards and is available to all of the Group's employees and to its contractors at a subsidised rate. The training is also open to the Group's customers as well as anyone else who works at, or makes visits to, the Group's sites. As part of the Health and Safety Legacy, as well as offering training, the Group is working to create a cultural shift that means all people working in the industry have the confidence to report unsafe acts. The Group maintains an active programme to raise awareness of the need for transparency and openness on these issues and, in April 2014, Lakehouse was awarded an International Safety Award by the British Safety Council in recognition of the Group's proven commitment to workplace health and safety.

Within the Group's business, a team of specific employees, *Health and Safety Champions*, is responsible for implementing the Group's health and safety policies across each of its sites and coordinating consultation and communication with employees across the Group. The Group's health and safety policies are regularly reviewed and updated to take account of new legislative requirements and best practice as well as to reflect new or increased health and safety risks. Reporting of health and safety performance takes place monthly with results reported to the Board alongside environmental and customer satisfaction measures. Managers are positively involved in the reporting process and actively drive the improved performance of their teams.

## 6. Environmental

The Group recognises the importance of environmental protection and is committed to operating the Group's business responsibly and in compliance with environmental law, regulation and approved codes of practice applicable to its business activities. The Group's environmental policy, which is reviewed and (if appropriate) amended each year, outlines the Group's key environmental impacts, targets and commitments.

The Group proactively seeks to reduce the Group's environmental impact, with its ultimate goal being to reduce its overall carbon footprint by embedding environmental controls and practices into the daily management of the Group's operations and encouraging positive behaviour from its employees. The Directors believe that these environmental controls and practices can also benefit the Group's business, such as promoting the efficient use of energy and resources thereby helping to reduce costs.

## 7. Property

The Group operates from the following principal office locations throughout the United Kingdom, giving it broad coverage of its key geographical areas of London, the South of England, the East of England and Scotland:

<i>Establishment</i>	<i>Address</i>	<i>Tenure</i>
<i>Central Functions</i>		
Head Office	1 King George Close Romford Essex RM7 7LS	Leasehold
<i>Regional Offices</i>		
Bedford Office	Unit 8 St Martins Business Centre St Martins Way Bedford MK42 0LF	Leasehold

Brentwood Office	Academy Place 1-9 Brook Street Brentwood Essex CM14 5NQ	Leasehold
Burgess Hill Office	Unit 2, Regents Business Park 18 Albert Road Burgess Hill West Sussex RH15 9TN	Leasehold
Cambridgeshire Office	Unit 1 Foster Business Park Boleness Road Wisbech PE13 2XQ	Leasehold
Camden (London) Office	169-171 Queens Crescent London NW5 4DS	Leasehold
Charlton (London) Office	Thames House Stone Foundries Estate 669 Woolwich Road London SE7 8LH	Leasehold
Great Yarmouth Office	Unit 15 Bessemer Way Harfreys Industrial Estate Great Yarmouth Norfolk NR31 0LX	Leasehold
Hampshire Office	Ermine House East Anton Court Icknield Way, Andover Hampshire SP10 5RG	Leasehold

<i>Establishment</i>	<i>Address</i>	<i>Tenure</i>
<i>Regional Offices</i>		
Kent Office	Chapel Farm Ightham Bypass Ightham Kent TN15 9AF	Leasehold
Lincolnshire Office	Unit 7, Priest Court Springfield Business Park Caunt Road Grantham NG31 7BG	Leasehold
Norwich Office	Units 22/23/34, Morgan Way, Bowthorpe Industrial Estate Norwich NR5 9JJ	Leasehold
Potters Bar Office	4 Wyllyotts Place Potters Bar Hertfordshire EN6 2JD	Leasehold
Suffolk Office	18/19 Maitland Road Lion Barn Industrial Estate Needham Market Suffolk IP6 8NZ	Leasehold
Sutton (London) Office	Unit 9 Four Seasons Crescent Sutton SM3 9QR	Leasehold
West Lothian (Scotland) Office	3 Inchcorse Place Whitehill Industrial Estate Bathgate EH48 2EE	Leasehold

The Group also operates from a number of shared client offices.

## 8. Employees

The table below sets out the average number of employees, including Executive Directors of the Operating Group, for the financial years ended 30 September 2012, 30 September 2013 and 30 September 2014.

	<i>Year ended 30 September</i>		
	<i>2012</i>	<i>2013</i>	<i>2014</i>
Direct labour and contract management	416	539	628
Administration	151	144	354
Average number of employees during the period	<u>567</u>	<u>683</u>	<u>982</u>

The Group's workforce is comprised of both full- and part-time salaried employees who deliver certain of the Group's services directly and also contractors, who the Group engages to provide services on its behalf.

## **9. Share Incentives**

In order to align the interests of Shareholders and employees following Admission, the Company is proposing to establish, on or prior to Admission, the Share Incentive Schemes, further details of which are set out in paragraph 11 of Part 14 (Additional Information) of this Prospectus.

The Company intends to grant awards pursuant to the PSP on, or shortly before, Admission to the Directors and Senior Management. Details of the proposed awards are set out in paragraph 7.5 of Part 14 (Additional Information) of this Prospectus and details of the performance conditions subject to which such awards will be granted are set out in paragraph 11.4 of Part 14 (Additional Information) of this Prospectus.

The Company intends to grant options pursuant to the CSOP within the six week period following Admission to a number of employees of the Group. The Company is proposing to grant the initial options which it intends to grant pursuant to the CSOP shortly after Admission over Shares with an aggregate market value of approximately £500,000. Details of the performance conditions subject to which such options will be granted are set out in paragraph 11.1 of Part 14 (Additional Information) of this Prospectus.

The Company also intends to make awards of Free Shares (as such term is defined in paragraph 11.3 of Part 14 (Additional Information) of this Prospectus) pursuant to the SIP to every employee of the Group who has completed a minimum qualifying period of service, within six weeks following Admission. Each eligible employee will be awarded with a fixed number of Free Shares with a market value as at the date of award of approximately £200, without reference to performance conditions, and on the same basis for each eligible employee.

It is proposed that the Company shall fund (or procure the funding of) the SIP Trustee (as such term is defined in paragraph 11.3 of Part 14 (Additional Information) of this Prospectus) in order for the SIP Trustee to be able to use such funds to acquire Shares pursuant to the Offer so that such Shares may be used for the purpose of awarding the Free Shares to eligible employees as described above.

The Company does not propose to grant any awards pursuant to the DSBP or any options pursuant to the SAYE Scheme until after the announcement of its interim or annual results following Admission.

## **10. Insurance**

The Directors believe the Group maintains insurance policies customary (including the terms of, and the coverage provided by, such insurance) for the industry in which it operates to cover certain risks. The Directors consider the Group's insurance coverage to be adequate both as to risks and amounts for the business the Group conducts. The Group also has directors' and officers' insurance.

## PART 6

### DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

#### 1. Directors

The following table lists the names, dates of birth, positions and dates of appointment for each Director:

<i>Name</i>	<i>Date of birth</i>	<i>Position</i>	<i>Date appointed as a Director</i>	<i>Date joined Group</i>
Stuart Black	30 August 1964	Executive Chairman	28 January 2015	1 August 2008
Sean Birrane	21 November 1971	Chief Executive Officer	28 January 2015	9 December 1996
Jeremy Simpson	28 May 1971	Chief Financial Officer	17 February 2015	1 April 2014
Michael McMahon	8 February 1976	Executive Director, Managing Director – Everwarm	17 February 2015	17 April 2014
Chris Geoghegan	13 June 1954	Non-Executive Director and Senior Independent Director	17 February 2015	17 February 2015
Jill Ainscough	28 December 1957	Non-Executive Director	17 February 2015	17 February 2015
Johnathan Ford	24 September 1969	Non-Executive Director	17 February 2015	17 February 2015

The business address of all of the Directors is 1 King George Close, Romford, Essex RM7 7LS.

The management expertise and experience of each of the Directors is set out below:

#### **Stuart Black, BSc MBA AMP MRICS** (*Executive Chairman*)

Stuart joined Lakehouse in August 2008 as Executive Chairman to create and shape the Group's growth strategy. He has spent 25 years working in a range of support services organisations and, immediately prior to joining the Group, he was Chief Executive of Mears Group PLC, which he left in February 2008. 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 he was also a Director at Bucknall Group between 1986 and 1998. Stuart has also held the Chairmanships at DPP Limited, Strategic Team Group and APT Controls Group and is currently Non-Executive Chairman of TCL Group. Stuart is a qualified chartered surveyor and has business qualifications from Henley Business School and the Wharton School, University of Pennsylvania.

#### **Sean Birrane, BSc MBA FRICS** (*Chief Executive Officer*)

Sean joined Lakehouse in December 1996 as a contracts manager. Since joining the Group, his career has spanned commercial and operational roles across all aspects of the business working in each of the Group's key sectors: social housing, education and government buildings. He has been instrumental in the growth of the business, becoming Commercial Director in September 2006 and then being promoted to Managing Director in October 2008 and, as Chief Executive Officer, has day-to-day operational responsibility for the business. Sean is a qualified chartered surveyor and has an MBA from Ashridge Business School and a BSc in Quantity Surveying from Leeds Metropolitan University.

#### **Jeremy Simpson, BA ACA** (*Chief Financial Officer*)

Jeremy joined Lakehouse in April 2014 as Chief Financial Officer with day-to-day responsibility for overseeing the Group's finance function. Prior to joining the Group, he held a number of senior financial

positions with other companies, including Group Corporate Development Director and UK Finance Director at Shanks Group plc, between August 2011 and March 2014, Director of Finance at Hunting PLC, between September 2010 and July 2011, VP Finance EMEA, Retail Information Services at Avery Dennison, between April 2009 and September 2010, and at Smiths Group in a number of roles, including Corporate Development Manager and Director of Finance, International, at Smiths Medical. Before joining Smiths Group in 2001. Jeremy was an Associate Director at KPMG Corporate Finance and is a qualified chartered accountant, having trained at Ernst & Young LLP. He has a BA in Psychology from Reading University. Jeremy is currently a trustee of the single parent charity, Gingerbread.

**Michael McMahon, MBA** (*Executive Director and Managing Director – Everwarm*)

Michael joined the Group in April 2014 following its acquisition of Everwarm. Michael has significant experience in the energy services sector and was a founder director of Everwarm in February 2011, which grew to become a profitable company with a turnover of over £45.0 million by the time of its acquisition. Prior to founding Everwarm, Michael was Group Operations Director at Eaga plc, the energy efficiency products group, leaving shortly before it was acquired by Carillion plc to found Everwarm. Michael has an MBA from Napier University, Edinburgh.

**Chris Geoghegan, BA FRAES** (*Senior Independent Non-Executive Director*)

Chris was the senior independent non-executive director of Kier Group plc between 2007 and 2014. Prior to joining Kier, he 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. He was formerly non-executive chairman of e2v technologies plc and a non-executive director of Volex plc and he is currently a non-executive director of SIG plc. Chris is a Fellow of the Royal Aeronautical Society and a past President of the Society of British Aerospace Companies. He will be the Company's Senior Independent Non-Executive Director, chair of the Company's Nomination Committee and a member of the Audit and Remuneration Committees.

**Jill Ainscough, BA MBA FCIS** (*Non-Executive Director*)

Jill was the Chief Operating Officer of Ofcom, the independent regulator for the UK communication industries, between 2007 and December 2014, and is currently a non-executive board member of BMJ, having been appointed in April 2014, and a Governor of the University of Northampton. She was also a non-executive director of Sport England (chairing the audit committee and sitting on the remuneration committee) between 2007 and 2013. Prior to this, she was UK Managing Director of the B2B telecommunications provider, Easynet Group, prior to its sale to BSkyB in 2006. Jill is a Fellow of the Institute of Chartered Secretaries and Administrators and she will be the chair of the Company's Remuneration Committee and a member of the Audit and Nomination Committees.

**Johnathan Ford, FCA** (*Non-Executive Director*)

Johnathan is currently the Chief Financial Officer of HomeServe plc, having been appointed in September 2012. He was previously the Group Finance Director of NWF Group plc, an AIM-quoted specialist agricultural and distribution group. Prior to joining NWF in March 2009, he spent four years at HomeServe, first 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. He will be the chair of the Company's Audit Committee and a member of the Remuneration and Nomination Committees.



## 2. Senior Management

The Company's current Senior Management, in addition to the Executive Directors set out above, is as follows:

<i>Name</i>	<i>Date of birth</i>	<i>Position</i>	<i>Date appointed as an employee of the Group</i>
Carol Bailey	17 June 1970	Managing Director, Regeneration (South)	8 February 2011
Dean Ball	10 May 1966	Managing Director, Construction	2 February 1998
Jamie Dawson	4 April 1975	Managing Director, Allied Protection	2 November 2012 <sup>1</sup>
Steve Foster	13 June 1974	Managing Director, Foster Property Maintenance	21 October 2013 <sup>2</sup>
David Greenfield	20 September 1965	Managing Director, K&T Heating	14 October 2011 <sup>3</sup>
Simon Howell	19 September 1961	Group Company Secretary	2 June 2014
John Lewthwaite	26 June 1965	Business Improvement Director	12 December 2011
Gail Shadlock	28 May 1962	Director of Human Resources	9 January 2012
Phil Tidmarsh	3 April 1968	Group Commercial Director	6 April 2009

### Notes:

- 1 Date of continuous employment: 1 April 2000.
- 2 Date of continuous employment: 1 April 2004.
- 3 Date of continuous employment: 14 October 2011.

The management expertise and experience of each of the Senior Management team is set out below:

### **Carol Bailey** (*Managing Director, Regeneration (South)*)

Carol joined the Group in February 2011 as General Manager of the Regeneration Division and was appointed as Managing Director of the Division in December 2011. With 20 years' experience in the delivery of Decent Homes projects (internal and external works) and facilities management (soft service delivery and mechanical and electrical maintenance), Carol has a wide breadth of experience in client relationship development, operational delivery and procurement. Prior to joining the Group, Carol worked for Breyer between 2009 and 2011, RR Richardson between 2006 and 2009, NCP between 2004 and 2006 and PML Group between 2002 and 2004. Before that, she held the position of Commercial Manager for London Underground between 1998 and 2002. Carol worked for Guys and St Thomas Hospital between 1994 and 1998 and served in HM Forces (the Army) between 1990 and 1994.

### **Dean Ball, MCIOB** (*Managing Director, Construction*)

Dean joined the Group in February 1998 as a Contract Manager. Dean was appointed as Operations Director in October 2006 and has subsequently held the roles of Construction Director and latterly Managing Director, Construction. Dean is a building surveyor by background and a Member of the Chartered Institute of Building. Prior to joining the Group, Dean held a senior building surveying role for 10 years with the London Borough of Newham and trained with Ashby and Horner.

### **Jamie Dawson** (*Managing Director, Allied Protection*)

Jamie joined the Group in November 2012, following its acquisition of Allied Protection. Jamie founded a business focusing on fire safety in social housing in 1997, which merged with Allied Protection in 1998, at which point he became a shareholder and was appointed Managing Director of Allied Protection.

**Steve Foster, BSc** (*Managing Director, Foster Property Maintenance*)

Steve joined the Group in October 2013 following its acquisition of Foster Property Maintenance. Steve joined Foster Property Maintenance in April 2004 as a shareholder and director of the company and was appointed as Managing Director in 2011. Prior to joining Foster Property Maintenance, Steve held various operational management roles within the Kier Group between 1997 and 2004. Steve is a construction professional with a BSc degree in Construction Economics and Management and has been an Incorporated Member of the Chartered Institute of Building since 2003.

**David Greenfield** (*Managing Director, K&T Heating*)

David joined the Group in October 2011 following its acquisition of K&T Heating. David is Managing Director of K&T Heating, joining it in 1989 as a shareholder and director of the company. David has considerable knowledge of the gas heating services industry, in particular, in the social housing sector within London and surrounding areas.

**Simon Howell, BA FCIS** (*Group Company Secretary*)

Simon joined the Group in June 2014 as Group Company Secretary. He 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. Immediately prior to joining the Group, Simon was Company Secretary and Head of Legal at May Gurney Integrated Services plc between January 2009 and July 2013, leaving on its acquisition by Kier Group plc. Prior to joining May Gurney, Simon was Company Secretary of UBC Media Group plc between 2000 and 2009 and Managing Director of UK Media Directories between 1997 and 2000. Before that he worked in various corporate finance roles at Yamaichi International. Simon is a Fellow of the Institute of Chartered Secretaries and has a BA from the School of Oriental and African Studies, University of London.

**John Lewthwaite, BEng CEng MICE** (*Business Improvement Director*)

John joined the Group in 2011 as operations director and was appointed Business Improvement Director in 2013. John has extensive experience as both an operational director and change director managing strategic change programmes. Prior to joining the Group, John worked with MITIE between 2010 and 2011. Between 2006 and 2010, John was Regional Director and Group Change Director at Connaught. Between 1988 and 2005, John worked at Mouchel. John is a Chartered Professional Engineer and a Member of the Institution of Civil Engineers. John has an MBA from Cranfield University.

**Gail Shadlock, MBA MCIPD** (*Director of Human Resources*)

Gail joined the Group in January 2012 as Director of Resources having previously worked, from 2008, in the same position at a large national charity. Between 2001 and 2008, Gail worked for Serco Group Plc and Mouchel PLC as Business Transformation Director. Prior to that, Gail had a career in the public sector, between 1997 and 2001 with Lincolnshire County Council, and, prior to that, with the NHS and with the Police. Gail is a Member of the Chartered Institute of Personnel and Development and holds an MBA.

**Phil Tidmarsh, MCIOB** (*Group Commercial Director*)

Phil joined the Group in April 2009 as Estimating Director and in 2011 was appointed Pre-Construction Director. In April 2014, Phil became Group Commercial Director providing pre- and post-contract support to all Group companies. Between 1991 and 2009, Phil worked for Connaught, including as Estimating Director. Prior to this, Phil worked for the social housing refurbishment contractor, Edsa Industrial Coatings, and also for the International Division of HSBC. Phil is a Member of the Chartered Institute of Building and attended Brighton University where he obtained a number of Construction-related qualifications.

### **3. Corporate governance**

The Board is committed to the highest standards of corporate governance and to maintaining a sound framework for the control and management of the Group.

### 3.1 ***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.

### 3.2 ***Compliance with corporate governance requirements***

#### *Board and committee independence*

The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company, excluding the chairman, should comprise non-executive directors determined by the Board to be independent in character and judgment and free from relationships or circumstances which may affect, or could appear to affect, this judgment. The Company regards all of the Non-Executive Directors, who have been recruited in connection with the Company's IPO and who have had no prior association with the Group, as "independent non-executive directors" within the meaning of the UK Corporate Governance Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

#### *Executive Chairman and Chief Executive Officer*

Whilst the UK Corporate Governance 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 driving growth over the last seven years means that the Group's and Shareholders' interests would be best served by him continuing in his position as Executive Chairman following Admission. However, the Board believes that there should be a clear division of responsibilities between the Executive Chairman, who has primary responsibility for running the Board and the strategic direction of the Group's business, and the Chief Executive Officer, who has primary responsibility for running the Group's business and ensuring delivery of the Group's strategy. Therefore, procedures have been put in place to ensure this strict division of responsibilities is implemented in practice, the key elements of which are set out below.

The Executive Chairman's key responsibilities are to:

- develop Group objectives and strategy having regard to the Group's responsibilities to its shareholders, customers, suppliers, local and other government authorities and bodies, housing associations, financial institutions and the public;
- monitor progress towards the timely and effective achievement and implementation of the objectives, policies and strategies set by the Board and of other decisions taken by or on behalf of the Board;
- lead the Chief Executive Officer, other executive directors and other members of the executive management team in the day-to-day running of the Group's business, including chairing any meetings of the executive management committee and communicating its decisions/recommendations to the Board;
- facilitate the effective contribution of the Non-Executive Directors and ensure constructive relationships and open communication, both between Non-Executive Directors and Executive Directors and between the Board and Shareholders; and
- with the assistance of the Company Secretary, promote the highest standards of corporate governance, integrity and probity and set clear expectations concerning the Company's culture, values and behaviours.

The Chief Executive Officer's key responsibilities are to:

- manage the day-to-day business of the Group, taking account of the policies and directions of the Board and its committees;
- ensure that such actions are taken as are necessary to secure the timely and effective implementation of the objectives, policies and strategies set by the Board and of other decisions taken by the Board or by its committees on its behalf;
- regularly report to the Executive Chairman and the rest of the Board in respect of the progress of the strategy, the Group's performance and operational matters and bringing to the Board's attention all matters that materially affect or are capable of materially affecting the achievement of the strategy or the performance of the Company;
- monitor and maintain standards of corporate governance and develop, communicate and embed effective business and financial controls and risk identification and management processes across the Group; and
- represent the Company and further its best interests with the business community, investors and analysts, the media, customers, suppliers and the public.

#### *Senior Independent Non-Executive Director*

The UK Corporate Governance 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 provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The Senior Independent Non-Executive Director has an important role on the Board in 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 concerns which contact through the normal channels of the Executive Chairman, Chief Executive Officer or other Executive Directors has failed to resolve or for which such contact is inappropriate. Accordingly, Chris Geoghegan has been appointed as the Company's Senior Independent Non-Executive Director.

### **3.3 Board committees**

As envisaged by the UK Corporate Governance Code, the Board has established the following committees: an Audit Committee, a Remuneration Committee and a Nomination Committee, each of which is described in further detail below.

#### *Audit Committee*

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditors, advising on the appointment of such external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Group's internal control and review function. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules.

The UK Corporate Governance Code, as it applies to the Company, recommends that an audit committee should comprise at least two members who are independent non-executive directors (other than the chairman) and that at least one member should have recent and relevant financial experience. The Audit Committee will be chaired by Johnathan Ford, and its other members will be Chris Geoghegan and Jill Ainscough. The Directors consider that Johnathan Ford has recent and relevant financial experience. The Audit Committee will meet not less than three times a year.

The Audit Committee has taken appropriate steps to ensure that the Auditors are independent of the Company and has obtained written confirmation from the Auditors that they comply with the guidelines on independence issued by the relevant accountancy and auditing bodies.

Appointments to the Audit Committee will be made by the Board, on recommendation by the Nomination Committee. Appointments to the Audit Committee will be for a period of up to three years and may be extended for no more than two further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

When appropriate, the Audit Committee will meet with the Group's senior managers in attendance. The Audit Committee will also meet separately at least once a year with the Group's external and internal auditors without management present. From Admission, the chair of the Audit Committee will be available at annual general meetings of the Company to respond to questions from Shareholders on the Audit Committee's activities.

#### *Remuneration Committee*

The Remuneration Committee will assist the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration (including setting the over-arching principles, parameters and governance framework of the Group's remuneration policy) and determining the individual remuneration and benefits packages of each of the Executive Directors and the Company Secretary. The Remuneration Committee will also ensure compliance with the UK Corporate Governance Code in relation to remuneration wherever possible.

The UK Corporate Governance Code, as it will apply to the Company on Admission, provides that a remuneration committee should comprise at least two members who are independent non-executive directors. The Remuneration Committee will be chaired by Jill Ainscough and its other members will be Chris Geoghegan and Johnathan Ford. The Remuneration Committee will meet not less than twice a year.

Appointments to the Remuneration Committee will be made by the Board, on recommendation by the Nomination Committee. Appointments to the Remuneration Committee will be made for a period of up to three years, which may be extended for no more than two further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

#### *Nomination Committee*

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new directors to the Board. In carrying out its duties, the Nomination Committee is primarily responsible for identifying and nominating candidates to fill board vacancies; evaluating the structure and composition of the board with regard to the balance of skills, board diversity, knowledge and experience and making recommendations accordingly; reviewing the time requirements of non-executive directors; giving full consideration to succession planning; and reviewing the leadership of the Group.

The UK Corporate Governance Code, as it will apply to the Company on Admission, provides that a nomination committee should comprise a majority of members who are independent non-executive directors. The Nomination Committee will be chaired by Chris Geoghegan, and its other members will be Stuart Black, Johnathan Ford and Jill Ainscough. The Nomination Committee will meet not less than twice a year.

Appointments to the Nomination Committee will be made by the Board. Appointments to the Nomination Committee will be made for a period of up to three years, which may be extended for further periods of up to three years, provided the Director whose appointment is being considered still meets the criteria for membership.

#### **4. Share dealing code**

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Shares which is based on, and is at least as rigorous as, the Model Code as contained in the Listing Rules. The code adopted will apply to the Directors and other persons discharging managerial responsibilities within the Group. The Directors will take all reasonable steps to secure compliance.



## PART 7

### REASONS FOR THE OFFER, USE OF PROCEEDS, DIVIDENDS AND DIVIDEND POLICY

#### 1. Reasons for the Offer

The Directors believe that Admission will position the Group for its next stage of development, including further raising the profile of the Group, assisting in retaining and incentivising employees and providing it with a structure for future growth.

Admission will also enable the Selling Shareholders to realise, in whole or in part, their investment in the Company.

#### 2. Use of proceeds

The Company will receive approximately £23.1 million of net proceeds from the Offer (after deducting placing commissions, other estimated offering-related fees and other related expenses incurred by the Group of approximately £6.9 million).

The Company intends to use the net proceeds from the Offer for general working capital and corporate purposes and to fund bolt-on acquisitions where suitable opportunities are identified.

The Company will not receive any of the proceeds from the sale of Existing Shares by the Selling Shareholders.

#### 3. Dividends and dividend policy

The Board intends to adopt a progressive dividend policy for the Company from Admission which will seek to maximise Shareholder value and reflect the Group's strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund on-going operating requirements and to invest in the Company's long term growth. The Board may revise the dividend policy from time to time.

**The ability of the Company to pay dividends is dependent on a number of factors and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be. See Part 1 (Risk Factors) of this Prospectus. Consequently, investors may not receive any return on their investment unless they sell their Shares for a price greater than that which they paid for them.**

## PART 8

### OPERATING AND FINANCIAL REVIEW

*The following is a discussion of the Operating Group's results of operations and financial condition. Prospective investors should read the following discussion, together with the whole of this Prospectus, including Part 1 (Risk Factors) and Part 10 (Historical Financial Information) of this Prospectus and should not just rely on the key or summarised information contained in this Part 8.*

*Unless otherwise stated, the financial information in this Part 8 has been extracted without material adjustment from Part 10 (Historical Financial Information) of this Prospectus. The financial information included in this document has been prepared on a basis consistent with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRS"). IFRS differs in certain aspects from international financial reporting standards as published by the International Accounting Standards Board.*

*This Part 8 contains "forward-looking statements". Those statements are subject to risks, uncertainties and other factors that could cause the Group's future results of operations or cash flows to differ materially from the results of operations or cash flows expressed or implied in such forward-looking statements. See Part 2 (Presentation of Financial and Other Information) of this Prospectus for further information.*

#### **1. Financial presentation**

Given the size of each of Foster Property Maintenance and Everwarm in the context of the Group, the financial information included in Part 10 (Historical Financial Information) of this Prospectus includes the following:

- audited consolidated financial information for the Operating Group for the financial years ended 30 September 2012, 30 September 2013 and 30 September 2014;
- audited financial information for Foster Property Maintenance for the period prior to its acquisition by the Operating Group, being the financial years ended 30 September 2012 and 30 September 2013 and the period from 1 October 2013 to 21 October 2013 (the "Foster Pre-acquisition Financial Information"); and
- audited financial information for Everwarm for the period prior to its acquisition by the Operating Group, being the financial years ended 30 September 2012 and 30 September 2013 and the period from 1 October 2013 to 16 April 2014 (the "Everwarm Pre-acquisition Financial Information").

Whilst this Part 8 focuses on the results of operations and financial condition of the Operating Group, it also includes discussion on the results of operations and financial condition of each of Foster Property Maintenance and Everwarm for the period prior to their acquisition by the Group.

#### **2. Overview**

Lakehouse is a leading asset and energy support services business, focused on customers in the UK outsourced public and regulated services sectors. The Group delivers a range of essential services through a successful model based on long term contractual relationships with local authorities, housing associations and energy companies. The Group was founded in 1988 and is headquartered in Romford, Essex. It currently employs approximately 1,250 staff from a number of offices situated throughout London, the South of England, the East of England and Scotland.

#### **3. Divisional Structure**

The Group is comprised of four divisions: Regeneration, Compliance, Energy Services and Construction, and the Operating Group's segmental information in its financial statements is presented according to these operating segments:

- (a) **Regeneration:** comprises planned and responsive maintenance services for clients in the social housing sector being predominantly local authorities and housing associations. The Division currently operates through two businesses: Regeneration (South) is the Group's original regeneration business and operates in London and the South East delivering planned maintenance services to its social landlord customers through an established network of third party sub-contractors. Regeneration (East) was established in 2013 following the acquisition of Foster Property Maintenance and operates in East Anglia and the East Midlands delivering planned and responsive maintenance services to its social landlord customers utilising a self-employed sub-contractor workforce.

As described above, Foster Property Maintenance forms part of the Group's Regeneration Division and, following its acquisition, its results are included within the Regeneration segment of the Operating Group.

- (b) **Compliance:** comprises planned and responsive installation, maintenance and repair services to local authority and housing association customers in the areas of gas, fire and air and water hygiene. These services can cover clients' social housing and public building assets.
- (c) **Energy Services:** comprises a range of energy efficiency services including external, internal, cavity wall and loft insulation, gas central heating and boiler upgrades for social housing customers as well as private home owners. In addition, the Division contracts with energy companies to deliver carbon emissions savings, achieved through the works described above, on a price per tonne basis which enables the energy company, in turn, to meet its legislative emissions savings targets. The Division has also recently commenced installation of smart meters and electric vehicle charging points. Everwarm constitutes the largest part of the Group's Energy Services Division and, following its acquisition on 16 April 2014, its results are included within the Energy Services segment of the Operating Group.
- (d) **Construction:** comprises small and medium scale extension, refurbishment and some small scale new build works for, predominantly, local authority clients. The Division has a primary focus on projects in the education sector but delivers works to a range of public buildings. The Division also includes a social housing development business, which is offered as an extended service to social housing clients. Given the Division's strategic focus on public building construction, the Directors believe that development will comprise a decreasing element of the Group's activities in the future.

The following table shows the revenues and Adjusted EBITA by Divisional segment for:

- the Operating Group for the year ended 30 September 2014;
- Foster Property Maintenance for the period from 1 October 2013 to 21 October 2013; and
- Everwarm for the period from 1 October 2013 to 16 April 2014.

<i>£'000</i>	<i>Regeneration</i>	<i>Compliance</i>	<i>Energy Services</i>	<i>Construction</i>	<i>Central<sup>(4)</sup></i>	<i>Total</i>
<b>Revenues</b>						
Operating Group <sup>(1)</sup>	172,611	32,164	22,939	78,516	(3,742)	302,488
Everwarm <sup>(2)</sup>			39,061			39,061
Foster Property Maintenance <sup>(3)</sup>	3,681					3,681
<b>Adjusted EBITA</b>						
Operating Group <sup>(1)</sup>	9,267	2,548	2,781	2,539	(6,326)	10,809
Everwarm <sup>(2)</sup>			10,176			10,176
Foster Property Maintenance <sup>(3)</sup>	868					868

**Notes:**

- (1) Extracted from the audited consolidated financial information for the Operating Group for the year ended 30 September 2014.
- (2) Extracted from the audited consolidated financial information for Everwarm for the period from 1 October 2013 to 16 April 2014.
- (3) Extracted from the audited consolidated financial information for Foster Property Maintenance for the period from 1 October 2013 to 21 October 2013.
- (4) Central costs are those costs that are not allocated directly in support of a segment and comprise certain Operating Group service functions.

#### 4. Key factors affecting the Operating Group's results of operations and financial condition

The Directors believe that the following factors have significantly affected the Operating Group's results of operations and/or financial condition during the periods under review and may continue to affect the Group's results of operations and financial condition in the future.

##### *Regeneration*

- **Contract longevity:** the Group seeks to secure positions on longer term framework contracts, as opposed to bidding for one-off contracts. Long term frameworks provide good visibility over revenues, as the client will generally provide an overview of available budgets each year, to be allocated among framework participants. Under the framework, individual projects will either be allocated directly or via mini-tenders. This is a less expensive means of securing work than a full tender process where bid costs tend to be significantly higher (albeit that the Group's tenders are largely prepared using internal resources). The Group will, however, pursue one-off contracts where there is a strategic opportunity or attractive margins.
- **Numerical position on framework:** a client will usually appoint multiple participants onto a framework. Participants may be awarded more attractive packages of work, depending on the tender score achieved on the original framework. This means that being a low ranked participant on a larger framework (typically exceeding three participants) may be unattractive. Similarly, whilst being a higher ranked participant should be attractive, it is important not to submit tenders at uneconomic prices, as this would impact both profitability and the ability of a participant to deliver the tendered service.
- **Mix of work:** depending on the composition of housing stock, specific types of work will have different price and cost profiles and resultant profitability to the service provider. Consequently, it is important to secure work packages capable of delivering an acceptable overall margin. Packages will include internal works ("internals"), being works such as kitchen and bathroom installations, and external works ("externals"), being works such as roofing and new windows.
- **Delivery method:** the Group has historically delivered regeneration works as a principal contractor, project managing third party packaged sub-contractors who provide labour, sundry materials and their own infrastructure (such as vans, tools and workwear). This typically results in higher costs to the Group than using its own employees. This is however, an important means of managing risk where the levels of work may vary, as whilst the third party sub-contractor will make a profit, they must also bear the cost and risk of employing staff. An alternative means of delivering work is through labour-only third party sub-contractors (referred to as "direct delivery"), where the primary contractor will provide the means of delivering the service, such as materials, vans and workwear and the sub-contractor bears employment risk (the employer normally having rights of substitution) and provides public liability insurance. This enables the primary contractor to retain more profit, but carry the risk of managing project delivery, leasing vans and materials obsolescence. As such, direct delivery is well-suited to long term contracts with good visibility of likely work.

##### *Compliance*

- **Regulatory requirements:** social landlords are subject to obligations to protect the tenants residing in their properties. Some measures are legislated, such as maintenance of gas boilers (Gas Safety (Installation and Use) Regulations 1998 Approved Code of Practice and Guidance) and fire detection infrastructure (Regulatory Reform (Fire Safety) Order 2005), whereas other measures may be subject to an approved code of practice, such as management of legionella risk under the Health and Safety Executive's documentation HSG274 parts 1, 2 & 3, which prescribe requirements on operators of buildings with in excess of five residents relating to the prevention of a legionella outbreak.
- **Mix of work:** the Group will typically secure a planned service contract to satisfy specified regulatory obligations for its client. This may, in turn, lead to further work in responsive repairs, installations and other capital upgrade projects that may constitute incremental revenue and margin.

- **Seasonal influences in the gas market:** the Compliance Division is subject to seasonal influences primarily in relation to gas services. Activity levels tend to be higher in colder weather periods, leading to higher working capital requirements and lower profitability in winter, and the opposite in the summer.
- **Reliability and performance of service:** in light of the regulatory obligations serviced by the Compliance Division, there is a high reliance placed by clients on the quality and reliability of service as a problem, such as the failure of a fire detection appliance or gas heating system, can have serious repercussions. The Compliance Division prioritises service reliability over profitability, which involves the periodic use of more expensive sub-contractors to maintain service during busy spells, especially during the mobilisation of new contracts.
- **Productivity and manpower efficiency:** the Compliance Division delivers its services primarily through a directly employed and skilled workforce. In order to provide value for money to clients and make an acceptable financial return, it is critical that labour utilisation is carefully planned in order to maximise efficiency. To this end, the Group has recently invested in technology to assist in delivering high levels of service with the improved levels of efficiency, involving the use of hand held electronic devices and a scheduling IT system called “Impact Response”. Management is also exploring the possibility of up-skilling the existing workforce with competencies that enable them to provide cross-Divisional services, such as a gas engineer being able to check the operation of a smoke detector within a unit.

### *Energy Services*

- **Fuel poverty:** households are considered by the Government to be in “fuel poverty” if they would have to spend more than 10 per cent. of their household income on fuel to keep their home in a “satisfactory” condition. Whether a household is in fuel poverty or not is determined by the interaction of a number of factors, but the three key ones are as follows:
  - the cost of energy;
  - the energy efficiency of the property (and therefore, the energy required to heat and power the home); and
  - household income.

Four million households in England were recently classified as being in fuel poverty (18 per cent. of all households) (*Source: poverty.org.uk, 2009*), along with 940,000 households in Scotland (39 per cent. of all households) (*Source: Energy Action Scotland, 2013*) and 425,000 in Wales (33.5 per cent. of all households) (*Source: CSE/Consumer Focus Now Cast for Fuel Poverty, 2011*). Given its scale and sensitivity, addressing fuel poverty is a major political issue, with the leading UK political parties all having made major policy statements on the subject.

- **Government policy:** the energy and sustainability policies of both the UK and Scottish Governments have, to date, provided a significant benefit to the Energy Services Division. Current UK Government policy places the emphasis on gas and electricity providers via the Energy Company Obligation (“ECO”) to deliver a total CO<sub>2</sub> saving, calculated as a function of their market share. This will remain in place until 2017, after which a new legislative policy will be implemented. A typical cycle of energy policy has been three years in duration and the Directors expect the 2017 to 2020 programme to be largely consistent with the current structure, possibly with localised amendments. In addition, the Scottish Government operates Home Energy Efficiency Programme Scotland (“HEEPS”). This is the largest fuel poverty programme in Scotland with the budget allocated in two separate areas: the first relates to area-based schemes, which are administered by local authorities, and the second is a national programme, administered by the Scottish Government via a single outsourced contract. Everwarm currently works under area-based schemes and the Directors are confident in securing further shares of both HEEPS and HEEPS 2 schemes in the future.

- **Energy supply and demand:** OFGEM's Electricity Capacity Assessment Report 2014 outlined that, bar a significant uplift (and therefore investment) in supply, in 17 scenarios, generation margins will fall between 2014/15 and 2018/19. The Directors are confident that investment will continue in addressing energy consumption as well as generation, providing opportunities for the Group in areas such as insulation, smart metering, electric vehicle charging and advice in managing energy usage.
- **Understanding the subsidy regime:** as highlighted in paragraph 3.1.3.2 of Part 5 (Information on the Company and the Group) of this Prospectus, there are a range of energy subsidy and incentive schemes that have a direct impact on the Group's business. The skill in assessing and interpreting the various schemes in order to maximise the value of measures has a direct impact on profitability. The process of claiming energy subsidies is very complex and any errors lead to reduced and delayed receipts. The Group has an experienced team, dedicated to processing subsidy claims, who possess a strong understanding of various regimes, developed through many years of working in the market.
- **Seasonality:** it is not possible to render walls or use fixing glue at temperatures below three degrees centigrade. As such, weather has an influence on the seasonality of the Energy Services business, meaning that the Group has to seek to increase capacity during warmer periods to compensate for time lost during colder ones.
- **Scheduling of manpower:** similar to the Compliance Division, Everwarm has historically delivered its services through a dedicated workforce of directly-employed labour, with a small amount of work still supplied through experienced sub-contractors. Scheduling of manpower to optimise efficiency is therefore important in delivering services in the most timely fashion, in order to maintain a high number of installation measures and with this, market share.
- **Responsiveness to market changes:** the Group acquired Everwarm not only for its revenues but, more importantly, for its experience in the wider energy market. In expanding its geographical reach, especially into the South East of England, the Group believes the Division has the opportunity to access an as yet under-developed market for insulation services. Further, for the reasons outlined above, the Group believes that market dynamics will continue to change as consumers seek to minimise energy costs and the UK Government seeks to minimise the investment required in expensive generation capacity, as well as honouring carbon reduction targets. In the short term, management have identified the installation of electric vehicle charging points and smart meters as additional opportunities for growth. Longer term, the Group believes it is well placed to identify and take advantage of future trends in energy consumption, management and transmission.

### *Construction*

- **Ability to be selective in taking on work:** the Construction Division is highly selective in choosing work that falls within its capabilities and, importantly, enables the Division to generate a satisfactory return. To this end, the Division does not participate in large scale infrastructure projects and will typically not take on projects with a value in excess of £5.0 million. The average order value of the Division is £1.5 million, which the Directors believe enables the Division to balance risk and return to deliver a strong, underlying margin.
- **Long term frameworks:** construction projects are typically one-off in nature, when compared to those in the regeneration sector, which will involve a series of installations. However, in working for clients under framework contracts, the Division is able to develop long term relationships that provide a more regular flow of work. This allows the Division to develop greater visibility over future work and plan supply chain and internal resource accordingly.
- **Service and delivery quality via a reliable supply chain:** each construction project involves a range of trades, such as groundworkers, scaffolders and bricklayers. In light of the cyclical nature of projects, it would be uneconomic to employ such trades in-house. The Division therefore uses sub-contractors and acts as project manager for delivering each trade on a contract. The Group has built strong relationships with its sub-contractors over a number of years, importantly secured by paying promptly and selecting reliable partners, with a particular sector focus on education. Due to the nature



of the education sector, there is frequently higher demand in the summer for refurbishment projects to tie in with the timing of school holidays. The efficient management of supply chain partners enables the Division to deliver projects to time (as periodically amended with the agreement of the client) and deliver acceptable project margins.

- **Control over project management:** a project failure can lead to significant losses, in particular as regards unexpected costs. Project management represents a critical activity throughout the contract lifecycle, starting in the bidding phase, where the Group has a highly experienced pre-construction team, responsible for identifying potential risks in a project. The Division has a number of experienced employees, who are trusted to identify issues and manage those when they arise. The key to managing risk is in early identification and mitigation, without letting costs increase. Client relations are also very important, as a strong partnership will enable costs and issues to be managed when problems arise on either side.

## 5. Current trading

In the period since 30 September 2014, market conditions have remained relatively consistent across the Operating Group's activities and trading has been robust. The Directors are confident about the prospects of the Group and the outturn for the current financial year.

## 6. Description of key income statement items

The following is a description of certain of the line items in the Operating Group's consolidated income statement.

### *Revenue*

The Operating Group generates revenue from the provision of services by its Regeneration, Compliance, Energy Services and Construction Divisions under contracts entered into by the Operating Group and its clients. Revenue is recognised on the basis of the type of contract entered into. The Operating Group operates predominantly under service and construction contracts where revenue is recognised when the outcome of a contract can be estimated reliably and by reference to the stage of completion of the work. A detailed overview of the Operating Group's revenue recognition accounting policy is contained in Note 1 to the audited consolidated financial information for the Operating Group set out in Section A of Part 10 (Historical Financial Information) of this Prospectus.

Prior to, and following, their respective acquisitions by the Group, each of Foster Property Maintenance and Everwarm generated revenues under service contracts. The revenue recognition policies applied in each of the Foster Pre-acquisition Financial Information and the Everwarm Pre-acquisition Financial Information are consistent with that adopted by the Operating Group.

### *Cost of sales*

Cost of sales represents direct variable costs of delivering services to clients, along with directly incurred overheads.

The Construction Division and the Regeneration (South) element of the Regeneration Division utilise a sub-contracting model, so cost of sales predominantly reflects the costs of payments to third parties. The Regeneration (East) element of the Regeneration Division has historically operated a labour-only sub-contractor model, so cost of sales reflects the costs of both sub-contractors and materials, along with a small direct labour cost, for activities such as supervision. The Compliance and Energy Services Divisions utilise direct labour delivery models and consequently cost of sales includes employee costs, materials and limited sub-contractor costs.

Direct overheads are recovered within cost of sales, relating to the following:

- *Direct labour:* a standard cost per hour is charged to each job, which allows for matters such as holiday pay and sick pay. Further, central overheads directly associated with the Division are allocated to cost of sales; and

- *Operating overheads*: costs such as vans and fuel are recovered to jobs at a standard charge rate.

### ***Other operating expenses***

Other operating expenses comprise both divisional and centrally allocated costs that cannot be otherwise recovered in cost of sales. These predominantly consist of centralised services, including: estimating; bidding; marketing; human resources; corporate and social responsibility; finance; procurement; safety, health and environment; quality; information technology (both infrastructure and systems); company secretariat; and the Group's management. A proportion of these costs is allocated to the Divisions based on management's estimate of usage.

### ***Exceptional items***

Exceptional items consist of operating costs that the Directors believe are non-recurring and which have been extracted in order to avoid distorting the underlying trading results.

### ***Amortisation of acquisition intangible assets***

Acquisition intangibles comprise intangible assets arising on the acquisitions undertaken by the Operating Group historically. These include acquired customer relationships and order books which are amortised on a straight line basis.

### ***Finance expense***

Finance costs consist of interest payable in relation to the Operating Group's overdraft, loan arrangements and a small value of hire purchase arrangements, as well as the unwinding of discounted cash flows in respect of fund raising costs that the Operating Group capitalises in accordance with IFRS.

### ***Tax expense***

Taxation in the financial statements represents the corporation tax charge on the Group's profit or loss for the year, and includes both current and deferred taxation. Taxation is recognised in the income statement unless it relates to items recognised directly in equity, when it is recognised through the statement of changes in equity.

## **7. Results of operations**

### **7.1 *The Operating Group***

The following discussion and analysis of the results of operations and financial condition for each of the financial years ended 30 September 2012, 2013 and 2014 is based on the historical results of the Operating Group.

The following table sets out the Operating Group's consolidated statement of comprehensive income for the periods indicated.

	2014 £'000	2013 £'000	2012 £'000
<i>Year ended 30 September</i>			
Revenue	302,488	191,803	151,533
Cost of sales	(271,639)	(174,398)	(137,815)
<b>Gross profit</b>	30,849	17,405	13,718
Other operating expenses	(20,040)	(11,081)	(8,328)
<i>Operating profit before exceptional costs and amortisation of acquisition intangible assets</i>	10,809	6,324	5,390
<i>Exceptional costs</i>	(4,405)	(491)	(267)
<i>Amortisation of acquisition intangible assets</i>	(5,101)	(1,462)	(1,011)
<b>Operating profit</b>	1,303	4,371	4,112
Finance expense	(1,380)	(302)	(258)
Investment income	181	28	60
<b>Profit before tax</b>	104	4,097	3,914
Taxation	(485)	(1,136)	(1,057)
<b>(Loss)/profit for the year attributable to the equity holders of the Operating Group and total comprehensive (expense)/income</b>	(381)	2,961	2,857

#### *Adjusted EBITA*

Adjusted EBITA is a Key Performance Indicator for the Operating Group (and the Group) and is used by management to monitor underlying performance. The following table reconciles operating profit to EBITA and Adjusted EBITA for the Operating Group.

	2014 £'000	2013 £'000	2012 £'000
<i>Year ended 30 September</i>			
<b>Operating profit</b>	1,303	4,371	4,112
Amortisation of acquisition intangibles	(5,101)	(1,462)	(1,011)
<b>EBITA<sup>(1)</sup></b>	6,404	5,833	5,123
Exceptional costs	(4,405)	(491)	(267)
<b>Adjusted EBITA<sup>(1)</sup></b>	10,809	6,324	5,390

#### **Note:**

EBITA and Adjusted EBITA are non-IFRS metrics. The Group defines EBITA as operating profit before amortisation of acquisition intangibles. The Group defines Adjusted EBITA as EBITA before exceptional costs. The Directors believe that EBITA and Adjusted EBITA are frequently used by equity analysts, investors and other interested parties in evaluating companies in its industry. These are not measures of operating performance derived in accordance with IFRS, and should not be considered a substitute for gross profit, operating profit, profit before tax, cash flow from operating activities or other income or cash flow statement data as determined in accordance with IFRS, or as a measure of profitability or liquidity. EBITA and Adjusted EBITA are included herein as a supplemental disclosure, because the Directors believe that this measure provides useful comparative information to an investor and helps investors evaluate the performance of the underlying business. However, the Group's calculation of EBITA and Adjusted EBITA may be different from the calculation used by other companies and therefore comparability may be limited.

Lakehouse also measures the underlying performance of the Operating Group's (and the Group's) operating segments by reference to Adjusted EBITA. Segmental Adjusted EBITA is measured before central costs and the following table reconciles Adjusted EBITA for the Group's operating segments to Adjusted EBITA for the Operating Group.

	2014	2013	2012
<i>Year ended 30 September</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Adjusted EBITA by segment</b>			
Regeneration	9,267	7,332	4,248
Compliance	2,548	1,221	1,870
Energy Services	2,781	52	(535)
Construction	2,539	931	2,414
Central costs <sup>(1)</sup>	(6,326)	(3,212)	(2,607)
<b>Operating Group Adjusted EBITA</b>	<b>10,809</b>	<b>6,324</b>	<b>5,390</b>

**Note:**

(1) Central costs are those costs that are not allocated directly in support of a segment and comprise certain group service functions.

*Year ended 30 September 2014 compared to the year ended 30 September 2013*

The following table sets out the Group's consolidated statement of comprehensive income for the years ended 30 September 2014 and 2013.

	2014	2013
<i>Year ended 30 September</i>	<i>£'000</i>	<i>£'000</i>
Revenue	302,488	191,803
Cost of sales	(271,639)	(174,398)
<b>Gross profit</b>	<b>30,849</b>	<b>17,405</b>
Other operating expenses	(20,040)	(11,081)
<i>Operating profit before exceptional costs and amortisation of acquisition intangible assets</i>	<i>10,809</i>	<i>6,324</i>
<i>Exceptional costs</i>	<i>(4,405)</i>	<i>(491)</i>
<i>Amortisation of acquisition intangible assets</i>	<i>(5,101)</i>	<i>(1,462)</i>
<b>Operating profit</b>	<b>1,303</b>	<b>4,371</b>
Finance expense	(1,380)	(302)
Investment income	181	28
<b>Profit before tax</b>	<b>104</b>	<b>4,097</b>
Taxation	(485)	(1,136)
<b>(Loss)/profit for the year attributable to the equity holders of the Operating Group and total comprehensive (expense)/income</b>	<b>(381)</b>	<b>2,961</b>

*Revenue*

The following table presents the Operating Group's revenue by segment for the years ended 30 September 2014 and 2013.

	2014	2013
<i>Year ended 30 September</i>	<i>£'000</i>	<i>£'000</i>
Regeneration	172,611	106,060
Compliance	32,164	21,229
Energy Services	22,939	351
Construction	78,516	65,966
Central	106	6
Total segment revenue	306,336	193,612
Inter-segment elimination	(3,848)	(1,809)
Revenue from external customers	<b>302,488</b>	<b>191,803</b>

The Operating Group's revenue for the year ended 30 September 2014 increased by 57.7 per cent. to £302.5 million from £191.8 million for the year ended 30 September 2013. The newly-acquired entities, Foster Property Maintenance and Everwarm, contributed revenues in the year of £54.1 million and £22.5 million, respectively (included within the overall revenue figure for the Operating Group of £302.5 million). Excluding the revenues of Foster Property Maintenance and Everwarm, which were acquired in the year, the Operating Group's revenues grew 17.8 per cent. from £191.8 million to £226.0 million. Within this underlying increase, the Group's existing Divisions, being Regeneration, Compliance and Construction, delivered revenue increases of 11.8 per cent., 51.5 per cent. and 19.0 per cent., respectively. This growth came predominantly as a result of new contract wins and an increase in revenues from existing customers, along with a small contribution from the full year effect of Allied Protection (estimated at £0.5 million).

#### *Cost of sales*

The Operating Group's cost of sales for the year ended 30 September 2014 increased by 55.8 per cent. to £271.6 million from £174.4 million for the year ended 30 September 2013. This increase was principally due to the acquisitions of Foster Property Maintenance and Everwarm. The Operating Group's gross margin increased from 9.1 per cent. in the year ended 30 September 2013 to 10.2 per cent. in the year ended 30 September 2014 as each of Foster Property Maintenance and Everwarm has, historically, generated higher gross margins than those achieved by the Operating Group.

The Operating Group's cost of sales for the year ended 30 September 2014 included a charge for one-off losses of £1.2 million in respect of a number of social housing development schemes undertaken by the Construction Division, a reduction of £1.0 million from the losses on development projects of £2.2 million for the year ended 30 September 2013. Since identifying these losses, changes have been made to the management of the development projects and the Operating Group has also implemented changes to the process of contract review which have enhanced the Group's ability to mitigate the risk of such losses arising in the future.

The Operating Group's gross margin was further adversely affected in the year ended 30 September 2014 by one-off costs relating to legacy contract issues which resulted in provisions for Work in Progress ("WIP") and retentions of £3.2 million within the Regeneration and Construction Divisions.

#### *Other operating expenses*

Administrative expenses for the year ended 30 September 2014 increased by 80.9 per cent. to £20.0 million from £11.1 million for the year ended 30 September 2013. This increase was in part due to the acquisitions of Foster Property Maintenance and Everwarm contributing to local divisional administrative costs increasing from £3.4 million to £8.5 million in the year ended 30 September 2014. In addition, during the year, central administrative expenses increased from £7.7 million to £11.5 million predominantly due to additional investment in central support functions in advance of the IPO, including finance and company secretariat. Of the £11.5 million, some £5.2 million was allocated to the Divisions (as set out in Note 1 to the historical financial information set out in Section A of Part 10 (Historical Financial Information) of this Prospectus) with the balance of £6.3 million reported as central costs.

A one-off provision was taken to other operating expenses in the year ending 30 September 2014 in relation to the estimated costs of a legacy VAT matter where zero rated work was incorrectly assessed on suppliers as standard rated. Some £1.8 million of VAT was involved and, having self-disclosed, management are currently in discussions with HMRC over resolving the matter. This will involve the relevant supplier reclaiming the VAT from HMRC as a reduction in output VAT and, in turn, remitting to the Group for onward remittance to HMRC. Management have, however, reserved £450,000 against this.

Share based payments increased from £24,000 to £86,000 in the year to 30 September 2014. Whilst these have historically represented a small cost to the Operating Group, they are expected to become more material in future periods following the adoption of new equity incentive schemes for the Directors and other employees of the Group which will take effect on Admission.

#### *Exceptional costs*

Exceptional costs for the year ended 30 September 2014 increased to £4.4 million from £0.5 million for the year ended 30 September 2013. Of this increase, £3.0 million related to one-off contract costs and remediation expenses associated with the resolution of historic matters on a specific contract that was delivered during 2014. A further £0.7 million was incurred during the year in respect of costs associated with the IPO and £0.1 million in respect of the disposal of a small fire suppression business. Finally, £0.7 million of costs were incurred in relation to acquisitions, representing a rise of 41.5 per cent. on the exceptionals charge for the year to 30 September 2013, which related entirely to acquisition costs.

#### *Amortisation of acquisition intangibles*

Amortisation of acquisition intangibles for the year ended 30 September 2014 increased to £5.1 million from £1.5 million for the year ended 30 September 2013. This increase was principally due to the increase in intangible assets arising through the acquisitions of Foster Property Maintenance and Everwarm during the year.

#### *Finance expense*

Net finance expense for the year ended 30 September 2014 increased four fold to £1.4 million from £0.3 million for the year ended 30 September 2013. Of this, interest payable on bank facilities increased by £0.7 million as a consequence of an increase in borrowings used to fund, in part, the consideration payable in respect of the acquisition of Foster Property Maintenance.

#### *Taxation*

Tax expense for the year ended 30 September 2014 decreased by 57.3 per cent. to £0.5 million from £1.1 million for the year ended 30 September 2013 due predominantly to the lower level profit before tax reported by the Operating Group in the year ended 30 September 2014.

#### *Year ended 30 September 2013 compared to the year ended 30 September 2012*

The following table sets out the Group's consolidated statement of comprehensive income for the years ended 30 September 2013 and 2012.

	2013 £'000	2012 £'000
<i>Year ended 30 September</i>		
Revenue	191,803	151,533
Cost of sales	(174,398)	(137,815)
<b>Gross profit</b>	17,405	13,718
Other operating expenses	(11,081)	(8,328)
<i>Operating profit before exceptional costs and amortisation of acquisition intangible assets</i>	6,324	5,390
<i>Exceptional costs</i>	(491)	(267)
<i>Amortisation of acquisition intangible assets</i>	(1,462)	(1,011)
<b>Operating profit</b>	4,371	4,112
Finance expense	(302)	(258)
Investment income	28	60
<b>Profit before tax</b>	4,097	3,914
Taxation	(1,136)	(1,057)
<b>(Loss)/profit for the year attributable to the equity holders of the Operating Group and total comprehensive (expense)/income</b>	<b>2,961</b>	<b>2,857</b>



### *Revenue*

The following table presents the Operating Group's revenue by segment for the years ended 30 September 2013 and 2012.

	2013	2012
<i>Year ended 30 September</i>	<i>£'000</i>	<i>£'000</i>
Regeneration	106,060	85,989
Compliance	21,229	10,661
Energy Services	351	2,235
Construction	65,966	52,642
Central	6	24
Total segment revenue	193,612	151,551
Inter-segment elimination	(1,809)	(18)
Revenue from external customers	191,803	151,533

The Operating Group's revenue for the year ended 30 September 2013 increased by 26.6 per cent. to £191.8 million from £151.5 million for the year ended 30 September 2012. Each of the Operating Group's three principal Divisions saw double digit revenue growth in the year: Regeneration increasing by 23.3 per cent., Compliance increasing by 99.1 per cent. and Construction increasing by 25.3 per cent. The acquisition of Allied Protection contributed £6.7 million to the growth in revenue in the Compliance Division. The balance of the growth came predominantly as a result of new contract wins and an increase in revenues from existing customers.

### *Cost of sales*

The Operating Group's cost of sales for the year ended 30 September 2013 increased by 26.5 per cent. to £174.4 million from £137.8 million for the year ended 30 September 2012 due predominantly to the growth in revenue during the period, both organically and through the acquisition of Allied Protection. One-off losses of £2.2 million in respect of a number of social housing development schemes were recognised within cost of sales for the year ended 30 September 2013 (there was no comparable charge in the year ended 30 September 2012). As a consequence, gross margins for the Operating Group remained constant between 2012 and 2013 at 9.1 per cent.

### *Other operating expenses*

Administrative expenses for the year ended 30 September 2013 increased by 33.1 per cent. to £11.1 million from £8.3 million for the year ended 30 September 2012. Of this, £1.6 million was due to the acquisition of Allied Protection resulting in divisionally allocated administrative costs increasing from £1.5 million to £3.4 million in the year ended 30 September 2013. Central administrative expenses increased from £6.9 million to £7.7 million to support revenue growth. Of the £7.7 million, some £4.5 million was allocated to the Divisions (as set out in Note 1 to the historical financial information set out in Section A of Part 10 (Historical Financial Information) of this Prospectus) with the balance of £3.2 million reported as central costs.

### *Exceptional costs*

Exceptional costs for the year ended 30 September 2013 increased by 83.9 per cent. to £0.5 million from £0.3 million for the year ended 30 September 2012 due to costs in respect of the acquisition of Allied Protection and prepaid costs in respect of the acquisition of Foster Property Maintenance. The exceptional costs in the year ended 30 September 2012 related to costs in respect of the acquisition of K&T Heating and prepaid costs in respect of the acquisition of Allied Protection.

### *Amortisation of acquisition intangibles*

Amortisation of acquisition intangibles for the year ended 30 September 2013 increased by 44.6 per cent. to £1.5 million from £1.0 million for the year ended 30 September 2012 due to the increase in intangible assets arising through the acquisition of Allied Protection.

### *Finance expense*

Net finance expense for the year ended 30 September 2013 increased 38.4 per cent. to £0.3 million from £0.2 million for the year ended 30 September 2012. Of this, interest payable on bank facilities increased by £31,000 as a consequence of an increase in borrowings used to fund, in part, the consideration payable in respect of the acquisition of Allied Protection.

### *Taxation*

Tax expense for the year ended 30 September 2013 rose by 7.5 per cent. from the year ended 30 September 2012 to £1.1 million. This was due to the increase in profit before taxation reported in the year and a higher level of non-deductible expenses in the year, offset in part by a marginally reduced effective tax rate.

## **7.2 Operational review by Division**

### *Regeneration*

Historically, the Regeneration Division has generated revenue through the provision of planned and responsive repair and maintenance services for social housing assets. The Division's two underlying businesses operate under distinct service delivery models:

- *Regeneration (South)*: utilises a flexible, lower margin, packaged sub-contractor delivery model with a relatively high proportion of variable costs.
- *Regeneration (East)*: utilises a less flexible, higher margin self-employed sub-contractor delivery model resulting in a higher level of fixed costs.

The Division's Adjusted EBITA reflects individual contract profitability which is affected by the mix of works and services delivered. In addition, with the establishment of Regeneration (East) in October 2013, following the acquisition of Foster Property Maintenance, overall Divisional EBITA is influenced by the mix between services provided under the respective delivery models.

The following table sets out the revenue and Adjusted EBITA performance of the Regeneration Division for the years ended 30 September 2012, 2013 and 2014 and Foster Property Maintenance for the years ended 30 September 2012 and 2013 and the period from 1 October 2013 to 21 October 2013

	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2012 £'000</i>
<b>Regeneration segment of the Operating Group</b>			
Revenue	172,611	106,060	85,989
Adjusted EBITA <sup>(1)</sup>	9,267	7,332	4,248
Adjusted EBITA margin	5.4%	6.9%	4.9%
	<i>21 days to 21 October 2013</i>	<i>Year ended 30 September 2013</i>	<i>Year ended 30 September 2012</i>
<b>Foster Property Maintenance</b>			
Revenue	3,681	45,808	26,560
Adjusted EBITA	868	7,384	3,465
Adjusted EBITA margin	23.6%	16.1%	13.0%

### **Note:**

- (1) Segmental Adjusted EBITA is measured before unallocated central costs. Central costs for the Operating Group in the years ended 30 September 2012, 2013 and 2014 were £2.6 million, £3.2 million and £6.3 million respectively.

Regeneration revenues in the year ended 30 September 2014 increased by 62.7 per cent. to £172.6 million from £106.1 million for the year ended 30 September 2013. Within this, Regeneration (South) increased from £106.1 million to £118.5 million, reflecting organic growth under existing

framework agreements. In light of the stage of the procurement cycle for new opportunities in the year (in particular, fewer new frameworks), there was a focus on bidding for strategic work to strengthen relationships with new clients, as well as negotiated work on existing frameworks. Regeneration (East) contributed revenue of £54.1 million, reflecting the post-acquisition contribution from Foster Property Maintenance. This represented a strong performance on core contracts for clients under the Eastern Procurement Consortium framework and, in particular, Norwich City Council, where the business was successful in securing negotiated work.

The Regeneration Division's Adjusted EBITA in the year ended 30 September 2014 increased by 26.4 per cent. to £9.3 million from £7.3 million for the year ended 30 September 2013. This included a significant contribution from the higher margin Regeneration (East) division which was partially offset by one-off provisions of £2.7 million relating predominantly to a review of provisioning for aged WIP and contract retentions on older contracts in Regeneration (South). In addition, the Division's depreciation and amortisation charge increased by £0.3 million relating principally to Foster Property Maintenance's vehicle fleet.

Regeneration revenues in the year ended 30 September 2013, which included only the Regeneration (South) business, increased by 23.3 per cent. to £106.1 million from £86.0 million for the year ended 30 September 2012. This increase was predominantly driven by organic growth, principally under existing frameworks, in particular the newly awarded Peabody framework. This was achieved either through an increased level of client spend overall or additional works being awarded to Lakehouse under the relevant framework.

The Regeneration Division's Adjusted EBITA in the year ended 30 September 2013 increased by 72.6 per cent. to £7.3 million from £4.2 million for the year ended 30 September 2012. This was due both to the increase in revenue described above as well as an increase in gross margin due to a more favourable mix of work under certain contracts.

A review of the results of the operations of Foster Property Maintenance for the period prior to its acquisition by Lakehouse is set out in paragraph 7.3 below.

### *Compliance*

Historically, the Compliance Division has generated revenue through the provision of services relating to the installation, maintenance and repair of fire and gas assets for social housing and local authority clients. The Division provides its services through three trading brands:

- *K&T Heating (Gas compliance)*: Established in October 2011, following the acquisition by Lakehouse of K&T Heating, provides services in relation to of gas appliances and central heating systems.
- *Allied Protection (Fire and electrical compliance)*: Established in November 2012, following the acquisition by Lakehouse of Allied Protection, provides services in relation to physical infrastructure and fire safety materials required to protect against the outbreak of fire as well as latterly, electrical wiring.
- *H2O (Air and water compliance)*: Established in following October 2014, following the acquisition by Lakehouse of H2O Nationwide, provides services in relation to legionella control and treatment, water treatment, ducting and ventilation cleaning. The acquisition of H2O Nationwide occurred after the end of the period covered by the historical financial information set out in Part 10 (Historical Financial Information) of this Prospectus and the results of its operations are consequently not included in the review below.

The Division's services are typically delivered under a direct labour model, other than where specialist skills are required that are not available within the Divisional workforce, in which event sub-contractors may be engaged. The Division's Adjusted EBITA reflects individual contract profitability,

which is affected by the mix of works, as well as engineering staff utilisation levels. The influences on profitability are discussed further in paragraph 4 above.

The following table sets out the revenue and Adjusted EBITA performance of the Compliance Division for the years ended 30 September 2012, 2013 and 2014.

	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2012 £'000</i>
<b>Compliance segment of the Operating Group</b>			
Revenue	32,164	21,229	10,661
Adjusted EBITA <sup>(1)</sup>	2,548	1,221	1,870
<i>Adjusted EBITA margin</i>	<i>7.9%</i>	<i>5.8%</i>	<i>17.5%</i>

**Note:**

(1) Segmental Adjusted EBITA is measured before central costs. Central costs for the Operating Group in the years ended 30 September 2012, 2013 and 2014 were £2.6 million, £3.2 million and £6.3 million respectively.

Compliance revenues in the year ended 30 September 2014 increased by 51.5 per cent. to £32.2 million from £21.2 million for the year ended 30 September 2013. Within this, Gas compliance revenues increased from £14.5 million to £21.2 million, due predominantly to organic growth arising from new contracts secured in the previous year including Red Kite Community Housing, Notting Hill Trust and London & Quadrant. Fire and electrical compliance revenues increased from £6.7 million to £10.9 million in the year as a result of additional revenue derived from existing contracts and an increase in demand for electrical services.

The Compliance Division's Adjusted EBITA in the year ended 30 September 2014 increased by 108.7 per cent. to £2.5 million from £1.2 million for the year ended 30 September 2013. The increase was driven predominantly by the growth in revenues, together with a full year contribution from Allied Protection and an improvement in EBITA margins within the Gas compliance business, particularly through a decreased use of sub-contractors and lower costs arising from new contract mobilisations.

Compliance revenues in the year ended 30 September 2013 increased by 99.1 per cent. to £21.2 million from £10.7 million for the year ended 30 September 2012. This included a contribution of £6.7 million from the Allied Protection which was acquired during the year. In the year, Gas compliance revenues increased from £10.7 million to £14.5 million, predominantly as a result of cross selling to clients of other Divisions and an increase in demand within the existing customer base.

The Compliance Division's Adjusted EBITA in the year ended 30 September 2013 decreased by 34.7 per cent. to £1.2 million from £1.9 million for the year ended 30 September 2012. This included a maiden gross profit contribution from Allied Protection which was partially offset by a significant increase in the Division's administrative expenses as a result of absorbing Allied Protection's cost base. In addition the Gas compliance division secured three significant contracts in a short time period immediately prior to the seasonally busier autumn period, leading to a significant increase in mobilisation costs and capacity constraints, requiring the use of lower margin sub-contractors to maintain service levels in the period. The business also invested in an enlarged call centre and found itself impacted by a particularly cold March 2013, necessitating a higher than normal level of call-outs.

*Energy Services*

In the years ended 30 September 2012 and 2013, the Energy Services Division consisted of a small scale solar photovoltaic ("PV") panel installation business. Following the acquisition of Everwarm in April 2014, the Division was significantly expanded and focused on the installation of energy saving measures including insulation and domestic energy efficient heating and energy technology systems including smart meters and electrical vehicle charging points.

The Division operates through a contracting structure whereby it is engaged by property owners and landlords to undertake energy efficiency and sustainability works on social and private housing assets and also by energy companies, who provide partial funding for these works in order to meet legislative carbon reduction/saving targets.

The Division also established a smart metering installation business in October 2014 to address national opportunities presented by the UK Government's roll-out programme.

The Division's Adjusted EBITA reflects individual contract profitability which is influenced by the mix of property types and complexity of the services delivered. Profitability is also affected by variations in the rates and prices under with the various subsidy schemes used to part fund the Division's services. The influences on profitability are discussed further in paragraph 4 above.

The following table sets out the revenue and Adjusted EBITA performance of the Energy Services Division for the years ended 30 September 2012, 2013 and 2014 and Everwarm for the years ended 30 September 2012 and 2013 and the period from 1 October 2013 to 16 April 2014.

	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2012 £'000</i>
<b>Energy Services segment of the Operating Group</b>			
Revenue	22,939	351	2,235
Adjusted EBITA <sup>(1)</sup>	2,781	52	(535)
<i>Adjusted EBITA margin</i>	12.1%	14.8%	(23.9%)
	<i>1 Oct 2013 to 16 April 2014</i>	<i>Year ended 30 September 2013</i>	<i>Year ended 30 September 2012</i>
<b>Everwarm</b>			
Revenue	39,061	48,372	26,804
Adjusted EBITA	10,176	11,653	4,971
<i>Adjusted EBITA margin</i>	26.1%	24.1%	18.5%

**Note:**

(1) Segmental Adjusted EBITA is measured before central costs. Central costs for the Operating Group in the years ended 30 September 2012, 2013 and 2014 were £2.6 million, £3.2 million and £6.3 million respectively.

Energy Services revenue in the year ended 30 September 2014 was £22.9 million with adjusted EBITA of £2.8 million. This reflected the 6.5 month contribution of Everwarm following its acquisition in April 2014. In the period following its acquisition, the Energy Services division secured additional contracts including with several of clients of other Divisions which the Group expects to deliver during 2015.

Energy Services revenues in the year ended 30 September 2013 reduced by 84.3 per cent. to £0.4 million from £2.2 million for the year ended 30 September 2012, with adjusted EBITA improving from a loss of £0.5 million to a profit of £0.1 million in the same period, reflecting the scaling back of the legacy solar PV business.

A review of the results of the operations of Everwarm for the period prior to its acquisition by Lakehouse is set out in paragraph 7.4 below.

**Construction**

Historically, the Construction Division has generated revenue through two types of services:

- *Public building construction* (78 per cent. of Construction revenue in the year ended 30 September 2014): extension, refurbishment and some small scale new build works on public buildings, with a particular focus on projects in the education sector.

- *Development* (22 per cent. of Construction revenue in the year ended 30 September 2014): the development and construction of social and private dwellings for local authorities and, in the case of one project, for sale to private homeowners.

The Division's Adjusted EBITA reflects the mix of business between higher margin public building construction and lower margin development activities. The strategic focus of the Division is on public building construction and the Directors believe that development will comprise a decreasing element of the Division's activities in the future.

The following table sets out the revenue and Adjusted EBITA performance of the Construction Division for the years ended 30 September 2012, 2013 and 2014.

	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2012 £'000</i>
<b>Construction segment of the Operating Group</b>			
Revenue	78,516	65,966	52,642
Adjusted EBITA <sup>(1)</sup>	2,539	931	2,414
<i>Adjusted EBITA margin</i>	3.2%	1.4%	4.6%

**Note:**

(1) Segmental Adjusted EBITA is measured before central costs. Central costs for the Operating Group in the years ended 30 September 2012, 2013 and 2014 were £2.6 million, £3.2 million and £6.3 million respectively.

Construction revenues in the year ended 30 September 2014 increased by 19.0 per cent. to £78.5 million from £66.0 million for the year ended 30 September 2013. Within this, public building construction activities increased from £53.4 million to £61.2 million, reflecting continued demand for school refurbishment works as well additional contracts secured on other public buildings and in the defence sector. Development revenues increased from £12.6 million to £17.3 million in the year, due to new contract wins including with East Thames Group, as well as a number of private unit sales from a development at Grange Manor in Chigwell, North East London. The Grange Manor development is the Group's only private housing development and is expected to be completed in the financial year ending 30 September 2015.

The Construction Division's Adjusted EBITA in the year ended 30 September 2014 increased by 172.7 per cent. to £2.5 million from £0.9 million for the year ended 30 September 2013. This was predominantly due to a reduction in contract losses incurred in respect of certain social housing development projects which were £1.2 million in the year ended 30 September 2014 and £2.2 million in the year ended 30 September 2013. The Division's EBITA also includes one-off provisions of £0.5 million, relating predominantly to a review of provisioning for aged contract retentions on older contracts by the new Chief Financial Officer.

Construction revenues in the year ended 30 September 2013 increased by 25.3 per cent. to £66.0 million from £52.6 million for the year ended 30 September 2012. Within this, public building construction activities increased from £48.5 million to £53.4 million, reflecting continued demand for work on school projects under existing framework agreements. Development revenues increased from £4.1 million to £12.6 million in the year, reflecting a number of new strategic contract wins, most notably with Moat Homes and The London Borough of Barking and Dagenham.

The Construction Division's Adjusted EBITA in the year ended 30 September 2013 decreased by 61.4 per cent. to £0.9 million from £2.4 million for the year ended 30 September 2012. This was due to one-off contract losses incurred in respect of certain social housing development projects which were £2.2 million in the year ended 30 September 2013.



### 7.3 *Foster Property Maintenance*

The following table sets out Foster Property Maintenance's consolidated statement of comprehensive income for the years ended 30 September 2012 and 2013 and the period from 1 October 2013 to 21 October 2013.

	<i>21 days to 21 October 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2012 £'000</i>
Revenue	3,681	45,808	26,560
Cost of sales	(2,624)	(37,344)	(22,193)
<b>Gross profit</b>	<b>1,057</b>	<b>8,464</b>	<b>4,367</b>
Other operating income	9	140	43
Administrative expenses	(198)	(1,220)	(945)
<b>Operating profit</b>	<b>868</b>	<b>7,384</b>	<b>3,465</b>
Finance expense	(1)	(60)	(49)
Investment income	10	19	10
<b>Profit before tax</b>	<b>877</b>	<b>7,343</b>	<b>3,426</b>
Taxation	(214)	(1,746)	(863)
<b>Profit for the year</b>	<b>663</b>	<b>5,597</b>	<b>2,563</b>

#### *Revenue*

Foster Property Maintenance reported revenue of £3.7 million in the 21 day period to 21 October 2013.

Foster Property Maintenance's revenue for the year ended 30 September 2013 increased by 72.5 per cent. to £45.8 million from £26.6 million for the year ended 30 September 2012. This was due to an increase in contracts secured under Foster Property Maintenance's largest framework agreement, with the Eastern Procurement Consortium ("EPC") which was entered into on September 2011. The EPC is a consortium of housing associations throughout Norfolk, Suffolk and Cambridgeshire who procure services under a single framework. Under the EPC framework, Foster Property Maintenance has secured contracts with clients such as Norwich City Council, Victory Housing Association and Great Yarmouth Community Housing, all of which contributed to the growth in revenue shown in the year ended 30 September 2013.

#### *Gross profit*

Foster Property Maintenance has historically adopted a service delivery model using labour-only sub-contractors and consequently cost of sales reflects the costs of sub-contractors, infrastructure (such as vans and workwear) and materials, along with a small limited direct labour pool.

Foster Property Maintenance's gross profit for the 21 day period ended 21 October 2013 was £1.1 million, representing a gross margin of 29 per cent. Of this, £0.4 million arose from the review of a number of contract valuations ahead of the sale of the business to Lakehouse, which the Directors believe enhanced pre-acquisition gross profit on a one-off basis.

Gross profit for the year ended 30 September 2013 increased by 93.8 per cent. to £8.5 million from £4.4 million for the year ended 30 September 2012 with gross margins increasing from 16 per cent. to 18 per cent. in the same period. This increase was predominantly due to the full year effect of the EPC contracts.

#### *Administrative expenses*

Foster Property Maintenance's administrative expenses were of £0.2 million in the 21 day period ended 21 October 2013.

As a small family owned enterprise, investment in overheads was limited. Administrative expenses for the year ended 30 September 2013 increased by 29.1 per cent. to £1.2 million from £0.9 million for the year ended 30 September 2012, with administrative expenses as a percentage of revenues falling from 3.6 per cent. to 2.7 per cent. in the same period, as the company's cost base grew more slowly than revenue.

#### 7.4 *Everwarm*

The following table sets out Everwarm's consolidated statement of comprehensive income for the years ended 30 September 2012 and 2013 and the period from 1 October 2013 to 16 April 2014.

	<i>1 October 2013 to 16 April 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Revenue	39,061	48,372	26,804
Cost of sales	(24,964)	(32,488)	(19,280)
<b>Gross profit</b>	<b>14,097</b>	<b>15,884</b>	<b>7,524</b>
Administrative expenses	(3,921)	(4,231)	(2,553)
<b>Operating profit</b>	<b>10,176</b>	<b>11,653</b>	<b>4,971</b>
Finance expense	(7)	(7)	(15)
Investment income	26	5	–
<b>Profit before tax</b>	<b>10,195</b>	<b>11,651</b>	<b>4,956</b>
Taxation	(2,357)	(2,760)	(1,253)
<b>Profit for the year</b>	<b>7,838</b>	<b>8,891</b>	<b>3,703</b>

#### *Revenue*

Everwarm's revenue in the period from 1 October 2013 to 16 April 2014 was £39.1 million. The Directors believe that this represented an exceptional period of trading, as a result of changes in the ECO subsidy programme that resulted in a short term acceleration in the level of demand for Everwarm's services in the period from December 2013 to March 2014. Under the ECO's CERO scheme, energy companies were eligible for a rate uplift of 1.75 times on carbon savings delivered before the end of March 2014, resulting in significantly increased demand for the delivery of qualifying energy efficiency works by suppliers including Everwarm. The Directors have estimated that £6.7 million of revenue in the period from 1 October 2013 to 16 April 2014 was achieved as a consequence of this one-off acceleration in demand in light of pending changes to the ECO subsidy regime.

Everwarm's revenue for the year ended 30 September 2013 increased by 80.5 per cent. to £48.4 million from £26.8 million for the year ended 30 September 2012. This was predominantly due to increased demand for Everwarm's energy efficiency services in conjunction with an increase in available funding for energy efficiency measures under UK and Scottish Government subsidy schemes. During the year, Everwarm secured a number of significant new contracts with both energy companies, including EDF Energy Plc ("EDF") and SSE plc ("SSE"), and local authority clients, including North Lanarkshire Council and Glasgow City Council.

#### *Gross profit*

Everwarm has historically adopted a direct labour service delivery model and consequently cost of sales reflects employee costs and materials, along with limited sub-contractor costs which are mainly incurred in the installation of domestic heating systems.

Everwarm's gross profit for the period from 1 October 2013 to 16 April 2014 was £14.1 million, representing a gross margin of 36 per cent. Of this, management has identified £4.1 million as having

arisen from the short term acceleration in demand in the period from October 2013 to March 2014, as described above.

Gross profit for the year ended 30 September 2013 increased by 111.1 per cent. to £15.9 million from £7.5 million for the year ended 30 September 2012 with gross margins increasing from 28 per cent. to 33 per cent. in the same period. This increase was predominantly due to an increase in revenues and a beneficial mix of installation measures.

#### *Administrative expenses*

Everwarm's administrative expenses were £3.9 million in the period from 1 October 2013 to 16 April 2014, an increase on a pro rata basis of 71.1 per cent. reflecting growth in the business.

Administrative expenses for the year ended 30 September 2013 increased by 65.7 per cent. to £4.2 million from £2.6 million for the year ended 30 September 2012, reflecting investment in the company's cost base to support the growth in revenues achieved in the period.

## **8. Indebtedness**

The following table summarises the principal components of the Operating Group's net debt as at 30 September 2014.

	<i>As at 30 September 2014</i> £'000
<b>Bank loans at amortised cost</b>	
Current	3,333
Non-current	8,334
Unamortised finance issue costs	(456)
	<hr/> 11,211
<b>Finance lease obligations</b>	
Current	165
Non-current	66
	<hr/> 231
<b>Total borrowings</b>	<hr/> 11,442
<b>Non-current contingent indebtedness</b>	
Deferred consideration payable on acquisitions	2,635
<b>Total indebtedness</b>	<hr/> 14,077
Cash and cash equivalents	4,230
<b>Net indebtedness</b>	<hr/> 9,847

As at 30 September 2014, the Operating Group's committed banking facilities comprised an overdraft facility of £2.0 million and a term loan of £15.0 million repayable in quarterly instalments of £0.8 million, together with a bullet payment of £2.5 million in September 2017. As at 30 September 2014 the balance outstanding against the term loan was £11.7 million.

A further sum of £13.1 million was outstanding as at 30 September 2014 in relation to deferred consideration on acquisitions (as reported in Note 16 to the historical financial information contained in Part 10 (Historical Financial Information) of this Prospectus).

On 9 December 2014, the Operating Group completed a refinancing of its existing banking facilities with a new £30.0 million revolving credit facility ("RCF") and £5.0 million overdraft facility. Further details of the Group's financing arrangements are set out in paragraph 13.4 of Part 14 (Additional Information) of this Prospectus.

## 9. Liquidity and capital resources

During the periods under review, the principal use of funds by the Operating Group has been to fund:

- the payment of consideration, including deferred consideration, in respect of the acquisitions of K&T Heating, Allied Protection and Foster Property Maintenance;
- working capital;
- the purchase of property, plant and equipment;
- investment in new financial and operational IT systems; and
- corporation tax payments.

The sources of liquidity include the Operating Group's cash flows from operations, cash balances and the undrawn portion of the term loan facility described in paragraph 8 of this Part 8.

### 9.1 *Historical cash flows of the Operating Group*

The following table summarises the principal components of the Operating Group's consolidated cash flows for the periods indicated.

	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2012 £'000</i>
<b>Cash flows from operating activities</b>			
Cash generated from operations	15,339	6,057	4,813
Interest paid	(649)	(170)	(119)
Interest received	34	2	3
Taxation	(8,211)	(2,242)	(1,334)
<b>Net cash generated from operating activities</b>	<b>6,513</b>	<b>3,647</b>	<b>3,363</b>
<b>Cash flows from investing activities</b>			
Purchase of shares in subsidiary, net of cash acquired	(15,296)	(5,625)	(4,296)
Purchase of property, plant and equipment	(890)	(203)	(199)
Purchase of intangible assets	(475)	(252)	(27)
Sale of property and equipment	120	102	21
Disposal of subsidiary business	80	–	–
<b>Net cash used in investing activities</b>	<b>(16,461)</b>	<b>(5,978)</b>	<b>(4,501)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	2	3	–
Proceeds from bank borrowings	16,116	3,632	3,200
Repayment of bank borrowings	(9,861)	(940)	(480)
Repayments to finance lease creditors	(202)	(9)	(6)
Finance issue costs	(673)	(43)	(104)
<b>Net cash generated from financing activities</b>	<b>5,382</b>	<b>2,643</b>	<b>2,610</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,566)</b>	<b>312</b>	<b>1,472</b>
Cash and cash equivalents at beginning of year	8,796	8,484	7,012
<b>Cash and cash equivalents at end of year</b>	<b>4,230</b>	<b>8,796</b>	<b>8,484</b>

#### *Net cash flow from operating activities*

For the year ended 30 September 2014, the Operating Group's cash generated from operations was £15.3 million, an increase of 153.2 per cent. from £6.1 million for the year ended 30 September 2013.

Whilst operating profit in the period decreased from £4.4 million to £1.3 million, the depreciation and amortisation charge increased from £2.1 million to £6.0 million, resulting in operating cash flows before movements in working capital increasing from £6.4 million to £7.4 million. Movements in working capital in the year ended 30 September 2014 resulted in a positive cash impact of £8.0 million, compared to a negative cash impact of £0.4 million in the year ended 30 September 2013. Working capital movements in the year ended 30 September 2014 included an increase in provisions of £6.5 million, comprising (i) 3.5 million of operating provisions, being: £0.5 million in respect of share costs, £1.3 million in relation to amounts owed in respect of development schemes and £1.8 million in relation to Other (mostly WIP); and (ii) £3.0 million in relation to one-off costs associated with a specific contract, reported within Exceptional Costs in the historical financial information set out in Part 10 (Historical Financial Information) of this Prospectus. Also included in movements in working capital is £0.8 million of income relating to amounts owed to Foster Property Maintenance from a related company in relation to trading rebates. Given the amount was not settled in cash on acquisition but two months later, it has been treated as operating income rather than cash available on acquisition (investing).

The Operating Group's cash tax payments in the year ended 30 September 2014 increased to £8.2 million from £2.2 million in the year ended 30 September 2013, principally due to the payment of pre- and post-acquisition tax liabilities for Foster Property Maintenance and Everwarm of £6.0 million. As a consequence of the above, for the year ended 30 September 2014 the Operating Group's net cash generated from operating activities was £6.5 million, an increase of 78.6 per cent. from £3.6 million for the year ended 30 September 2013.

For the year ended 30 September 2013 the Operating Group's net cash generated from operating activities was £3.6 million, an increase of 8.4 per cent. from £3.4 million for the year ended 30 September 2012. Of this, cash generated from operations increased from £4.8 million in the year ended 30 September 2012 to £6.1 million in the year ended 30 September 2013 including a net investment in working capital of £0.4 million and £0.7 million in 2013 and 2012, respectively. The Operating Group's cash tax payments in the year ended 30 September 2013 increased to £2.2 million from £1.3 million in the year ended 30 September 2012 as a result of the increase in taxable profit.

#### *Net cash used in investing activities*

For the year ended 30 September 2014 the Operating Group's net cash used in investing activities was £16.5 million, an increase of 175.4 per cent. from £6.0 million for the year ended 30 September 2013. This was predominantly due to an increase of £9.7 million in cash used in the purchase of subsidiaries from £5.6 million in the year ended 30 September 2013 to £15.3 million in the year ended 30 September 2014 as a result of the acquisitions of Foster Property Maintenance and Everwarm for a net initial consideration of £28.0 million and £12.0 million, respectively, as well as £0.3 million of deferred consideration in respect of the acquisition of Allied Protection. Cash flows in relation to investing activities in the financial year ended 30 September 2014 are stated net of £25 million of cash received with the acquired businesses.

For the year ended 30 September 2013 the Operating Group's net cash used in investing activities was £6.0 million, an increase of 32.8 per cent. from £4.5 million for the year ended 30 September 2012. Of this, cash used in the purchase of subsidiaries increased from £4.3 million to £5.6 million which included net initial consideration of £3.6 million in respect of the acquisition of Allied Protection as well as £2.5 million of deferred consideration in respect of the acquisition of K&T Heating. Cash flows in relation to investing activities in the financial year ended 30 September 2013 are stated net of £0.5 million of cash received with the acquired business. The £4.3 million cash used in the purchase of subsidiaries in the year ended 30 September 2012 represented the net initial consideration paid in respect of the acquisition of K&T Heating. Cash flows in relation to investing activities in the financial year ended 30 September 2012 are stated net of £2.3 million of cash received with the acquired business.

Further details of deferred consideration due in respect of the acquisitions of Allied Protection, Foster Property Maintenance and H2O Nationwide Limited are set out in paragraph 13 of Part 14 (Additional

Information) of this Prospectus.

*Net cash generated from financing activities*

For the years ended 30 September 2014, 2013 and 2012 the Operating Group's net cash generated from financing activities was £5.4 million, £2.6 million and £2.6 million respectively. The £2.7 million increase between 30 September 2013 and 30 September 2014 was predominantly due to a net increase in bank borrowings of £6.3 million as compared to a net increase of £2.7 million in the year ended 30 September 2013 and a net increase of £2.7 million in the year ended 30 September 2012. The net increases in bank borrowings in each of the years ended 30 September 2012, 2013 and 2014 relate to acquisition consideration paid from bank facilities.

**9.2 Historical cash flows of Foster Property Maintenance**

The following table summarises the principal components of the Foster Property Maintenance's consolidated cash flows for the periods indicated.

	<i>21 days to 21 October 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2012 £'000</i>
Net cash generated from operating activities	3,575	2,249	869
Net cash from/(used in) investing activities	1,596	205	(291)
Net cash used in financing activities	(328)	(517)	(385)
<b>Net increase in cash and cash equivalents</b>	<b>4,843</b>	<b>1,937</b>	<b>193</b>
Cash and cash equivalents at beginning of period	3,477	1,540	1,347
<b>Cash and cash equivalents at end of period</b>	<b>8,320</b>	<b>3,477</b>	<b>1,540</b>

For the years ended 30 September 2012 and 2013 and the 21 day period to 21 October 2013, net cash generated from operating activities for Foster Property Maintenance was £0.9 million, £2.2 million and £3.6 million, respectively. Foster Property Maintenance saw a net investment in its working capital position in the years ended 30 September 2012 and 2013 of £2.1 million and £4.1 million respectively; an improvement in working capital of £3.0 million was seen in the 21 day period to 21 October 2013. Working capital consists of trade and other receivables, inventories, WIP (both positive and negative), trade and other payables, direct tax liabilities and both accrued and deferred revenues. The changes working capital were primarily driven by increases in receivables in line with the growth in the business, with the inflow in the 21 day period to 21 October 2013 representing a focus on collections ahead of completion of the sale to Lakehouse. These actions did not impact the Operating Group as they were factored into the completion working capital mechanism in the sale and purchase agreement.



### 9.3 *Historical cash flows of Everwarm*

The following table summarises the principal components of Everwarm's consolidated cash flows for the periods indicated.

	<i>1 October 2013 to 16 April 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>Year ended 30 September 2012 £'000</i>
Net cash generated from operating activities	9,637	6,395	1,791
Net cash used in investing activities	(92)	(173)	(84)
Net cash used in financing activities	(211)	(64)	(662)
<b>Net increase in cash and cash equivalents</b>	<b>9,334</b>	<b>6,158</b>	<b>1,045</b>
Cash and cash equivalents at beginning of period	7,342	1,184	139
<b>Cash and cash equivalents at end of period</b>	<b>16,676</b>	<b>7,342</b>	<b>1,184</b>

For the years ended 30 September 2012 and 2013 and the period from 1 October 2013 to 16 April 2014, net cash inflow from operating activities for Everwarm was £1.8 million, £6.4 million and £9.6 million, respectively. Everwarm saw a net investment in its working capital position in the years ended 30 September 2012 and 2013 of £3.2 million and £4.5 million, respectively, and £0.7 million in the period from 1 October 2013 to 16 April 2014. Working capital consists of trade and other receivables, inventories, WIP (both positive and negative), trade and other payables, direct tax liabilities and both accrued and deferred revenues. The changes in working capital were primarily driven by increases in receivables in line with the growth in the business, latterly relating to the change in mix from income receivable direct from energy companies to local councils and housing authorities, due to the change in Government allocation of funding for energy efficiency measures.

## 10. **Critical accounting policies and significant estimates**

### 10.1 *Critical accounting policies*

In the application of the Group's accounting policies, which are described in the sections headed "Significant accounting policies" in Sections A, B and C of Part 10 (Historical Financial Information) of this Prospectus, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The 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 in the period of the revision and future periods, if the revision affects both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty are described in the sections headed "Critical accounting judgments and key sources of uncertainty" in sections A, B and C of Part 10 (Historical Financial Information) of this Prospectus.

### 10.2 *Matters of significant accounting judgment*

Details of critical accounting judgments made by the Directors and key sources of uncertainty are described in the statement of accounting policies in the consolidated financial statements set out in Part 10 (Historical Financial Information) of this Prospectus.

## PART 9

### CAPITALISATION AND INDEBTEDNESS STATEMENT

#### Indebtedness

The tables below set out the Operating Group's capitalisation and indebtedness. The gross financial indebtedness and the net financial indebtedness table has been prepared as at 31 December 2014. The information has been extracted without material adjustment from the Operating Group's accounting records and is unaudited.

The shareholders' equity table below has been prepared as at 30 September 2014 and has been prepared under IFRS using policies which are consistent with those used in preparing the Operating Group's historical financial information set out in Part B of Section A of Part 10 (Historical Financial Information) of this Prospectus.

There has been no material change in the capitalisation and indebtedness of the Operating Group since 31 December 2014, save for the effects of the Pre-IPO Reorganisation referred to in paragraph 3 of Part 14 (Additional Information) of this Prospectus.

*As at 31 December 2014*  
(unaudited)  
(£'000)

#### Gross financial indebtedness

##### Total current debt

Secured external borrowings <sup>(1)</sup>	—
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##### Total non-current debt

Secured external borrowings	17,000
	17,000

#### Contingent indebtedness

Current deferred consideration payable on acquisitions <sup>(2)</sup>	2,805
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Non-current deferred consideration payable on acquisitions	1,033
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<b>Total indebtedness</b>	20,838
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*As at 30 September 2014*  
(£'000)

#### Shareholders' Equity<sup>(3)</sup>

Share capital	—
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Share premium	31,820
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Share based payment reserve	1,068
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<b>Total</b>	32,888
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#### Notes:

- (1) On 8 December 2014, the Operating Group completed a refinancing of its existing banking facilities with a new £30.0 million revolving credit facility ("RCF") and £5.0 million overdraft facility. Further details of the Group's financing arrangements are set out in paragraph 13.4 of Part 14 (Additional Information) of this Prospectus. £12 million was drawn under the RCF on 9 December 2014 with an additional amount being drawn on 15 December 2014. The overdraft was not utilised as at 31 December 2014.
- (2) Current deferred consideration relates to contingent consideration payable in respect of the acquisition of H2O Nationwide of £0.2 million and Allied Protection of £2.6 million. Non-current deferred consideration relates to contingent consideration payable in respect of the acquisition of H2O Nationwide of £1.0 million. The £0.2 million of current deferred consideration relating to H2O Nationwide was paid in January 2015 with current deferred consideration relating to Allied Protection being contingent on the profits of Allied Protection and H2O Nationwide combined. The non-current deferred consideration in relation to H2O Nationwide relates entirely to achievement of future performance targets in respect of that company alone. Deferred, contingent

consideration of £6.4 million was payable at 31 December 2014 in respect of the acquisition of Foster Property Maintenance, however, this has not been included above as the performance conditions had been met by December 2014, with payment expected in two equal instalments during March and June 2015. Further non-contingent payments were due as at 31 December 2014 in respect of Allied Protection (£0.3 million current and £0.3 million non-current) and H2O Nationwide (£0.4 million current and £0.9 million non-current).

(3) Shareholders' Equity does not include the retained earnings reserve.

### **Net financial indebtedness**

	<i>As at 31 December 2014</i> <i>(unaudited)</i> <i>(£'000)</i>
Cash and cash equivalents	6,256
<b>Liquidity</b>	6,256
Current secured external borrowings	—
Current contingent indebtedness	(2,805)
<b>Current financial indebtedness</b>	(2,805)
<b>Net current financial indebtedness</b>	3,451
Non-current secured external borrowings	(17,000)
Non-current contingent indebtedness	(1,033)
<b>Non-current financial indebtedness</b>	(18,033)
<b>Net financial indebtedness</b>	(14,582)

## PART 10

### HISTORICAL FINANCIAL INFORMATION

#### SECTION A: HISTORICAL FINANCIAL INFORMATION ON LAKEHOUSE HOLDINGS LIMITED

##### PART A: ACCOUNTANTS' REPORT



The Directors  
Lakehouse plc  
1 King George Close  
Romford  
Essex  
RM7 7LS

Peel Hunt LLP (the "Sponsor")  
Moor House  
120 London Wall  
London  
EC2Y 5ET

18 March 2015

Dear Sirs

##### **Lakehouse plc**

We report on the financial information (the "Historical Financial Information") as at and for the years ended 30 September 2012, 30 September 2013 and 30 September 2014 set out in Part B of Section A of this Part 10 of Lakehouse Holdings Limited and its subsidiaries (the "Operating Group"). The Historical Financial Information relating to the Operating Group has been prepared for inclusion in the prospectus dated 18 March 2015 of Lakehouse plc (the "Company") (the "Prospectus") on the basis of the accounting policies set out in Note 1 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

##### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information in accordance with the basis of preparation set out in Note 1 to the financial information. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

##### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates

and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Lakehouse Holdings Limited as at 30 September 2014, 30 September 2013 and 30 September 2012 and of its losses/profits, cash flows and changes in equity for the three years ended 30 September 2014 in accordance with the basis of preparation set out in Note 1 to the financial information.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

### **Deloitte LLP**

*Chartered Accountants*

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

**PART B: HISTORICAL FINANCIAL INFORMATION OF LAKEHOUSE HOLDINGS LIMITED**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the three year period ended 30 September 2014**

	<i>Note</i>	<i>2014</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>CONTINUING OPERATIONS</b>				
Revenue	1	302,488	191,803	151,533
Cost of sales		(271,639)	(174,398)	(137,815)
<b>Gross profit</b>		<u>30,849</u>	<u>17,405</u>	<u>13,718</u>
Other operating expenses		(20,040)	(11,081)	(8,328)
Operating profit before exceptional costs and amortisation of acquisition intangible assets		10,809	6,324	5,390
Exceptional costs	3	(4,405)	(491)	(267)
Amortisation of acquisition intangible assets	10	(5,101)	(1,462)	(1,011)
<b>Operating profit</b>	2	<u>1,303</u>	<u>4,371</u>	<u>4,112</u>
Finance expense	4	(1,380)	(302)	(258)
Investment income	4	<u>181</u>	<u>28</u>	<u>60</u>
<b>Profit before tax</b>		<u>104</u>	<u>4,097</u>	<u>3,914</u>
Taxation	7	(485)	(1,136)	(1,057)
<b>(Loss)/profit for the year attributable to the equity holders of the Operating Group and total comprehensive (expense)/income</b>		<u>(381)</u>	<u>2,961</u>	<u>2,857</u>
(Loss)/earnings per share – Adjusted	8	(0.00)	0.02	0.02
(Loss)/earnings per share – Basic	8	(0.15)	181.36	182.91
(Loss)/earnings per share – Diluted	8	<u>(0.12)</u>	<u>115.95</u>	<u>113.44</u>



# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 30 September 2014, 30 September 2013 and 30 September 2012**

	<i>Note</i>	<i>2014</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>Non-current assets</b>				
Goodwill	9	42,388	7,491	3,774
Other intangible assets	10	17,876	4,115	2,599
Property, plant and equipment	11	1,758	493	660
Trade and other receivables	14	1,666	3,370	2,695
Deferred tax	15	–	5	–
		<u>63,688</u>	<u>15,474</u>	<u>9,728</u>
<b>Current assets</b>				
Inventories	12	5,028	2,928	458
Amounts due from customers under construction contracts	13	3,247	2,689	1,555
Trade and other receivables	14	73,178	41,582	39,390
Cash and cash equivalents		<u>4,230</u>	<u>8,796</u>	<u>8,484</u>
		<u>85,683</u>	<u>55,995</u>	<u>49,887</u>
<b>Total assets</b>		<u>149,371</u>	<u>71,469</u>	<u>59,615</u>
<b>Current liabilities</b>				
Amounts due to clients under construction contracts	13	2,310	1,054	749
Trade and other payables	16	73,033	43,434	41,930
Borrowings	17	3,333	2,672	640
Finance lease obligations	19	165	9	6
Income tax payable		<u>445</u>	<u>1,351</u>	<u>1,090</u>
		<u>79,286</u>	<u>48,520</u>	<u>44,415</u>
<b>Net current assets</b>		<u>6,397</u>	<u>7,475</u>	<u>5,472</u>
<b>Non-current liabilities</b>				
Borrowings	17	7,878	2,675	2,014
Finance lease obligations	19	66	29	41
Provisions	18	6,668	50	30
Deferred tax	15	1,813	–	308
Trade and other payables	16	<u>4,854</u>	<u>4,561</u>	<u>473</u>
		<u>21,279</u>	<u>7,315</u>	<u>2,866</u>
<b>Total liabilities</b>		<u>100,565</u>	<u>55,835</u>	<u>47,281</u>
<b>Net assets</b>		<u>48,806</u>	<u>15,634</u>	<u>12,334</u>
<b>Equity</b>				
Called up share capital	20	–	–	–
Share premium account	21	31,820	306	93
Share-based payment reserve		1,068	197	173
Merger reserve	22	1	1	1
Retained earnings		<u>15,917</u>	<u>15,130</u>	<u>12,067</u>
<b>Equity attributable to equity holders of the Company</b>		<u>48,806</u>	<u>15,634</u>	<u>12,334</u>

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the three year period ended 30 September 2014**

	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Share-based payment reserve £'000</i>	<i>Merger reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
<b>At 1 October 2011</b>	–	93	120	1	9,123	9,337
Profit for the year and total comprehensive income	–	–	–	–	2,857	2,857
Deferred tax on share based payments	–	–	–	–	87	87
Share-based payment charge	–	–	53	–	–	53
<b>At 30 September 2012</b>	–	93	173	1	12,067	12,334
Profit for the year and total comprehensive income	–	–	–	–	2,961	2,961
Deferred tax on share based payments	–	–	–	–	102	102
Premium on shares issued in the year	–	213	–	–	–	213
Share-based payment charge	–	–	24	–	–	24
<b>At 30 September 2013</b>	–	306	197	1	15,130	15,634
Loss for the year and total comprehensive income	–	–	–	–	(381)	(381)
Deferred tax on share based payments	–	–	–	–	1,168	1,168
Premium on shares issued in the year	–	31,514	–	–	–	31,514
Created on acquisition of subsidiary (Note 23)	–	–	785	–	–	785
Share-based payment charge	–	–	86	–	–	86
<b>At 30 September 2014</b>	–	31,820	1,068	1	15,917	48,806

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the three year period ended 30 September 2014**

	<i>Note</i>	<i>2014</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>Cash flows from operating activities</b>				
Cash generated from operations	27	15,339	6,057	4,813
Interest paid		(649)	(170)	(119)
Interest received		34	2	3
Taxation		(8,211)	(2,242)	(1,334)
<b>Net cash generated from operating activities</b>		<u>6,513</u>	<u>3,647</u>	<u>3,363</u>
<b>Cash flows from investing activities</b>				
Purchase of shares in subsidiary, net of cash acquired	29,30	(15,296)	(5,625)	(4,296)
Purchase of property, plant and equipment		(890)	(203)	(199)
Purchase of intangible assets		(475)	(252)	(27)
Sale of property and equipment		120	102	21
Disposal of subsidiary business		80	–	–
<b>Net cash used in investing activities</b>		<u>(16,461)</u>	<u>(5,978)</u>	<u>(4,501)</u>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares		2	3	–
Proceeds from bank borrowings		16,116	3,632	3,200
Repayment of bank borrowings		(9,861)	(940)	(480)
Repayments to finance lease creditors		(202)	(9)	(6)
Finance issue costs		(673)	(43)	(104)
<b>Net cash generated from financing activities</b>		<u>5,382</u>	<u>2,643</u>	<u>2,610</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(4,566)</u>	<u>312</u>	<u>1,472</u>
Cash and cash equivalents at beginning of year		<u>8,796</u>	<u>8,484</u>	<u>7,012</u>
<b>Cash and cash equivalents at end of year</b>		<u>4,230</u>	<u>8,796</u>	<u>8,484</u>

## STATEMENT OF ACCOUNTING POLICIES

### For the three year period ended 30 September 2014

#### General information

The combined information comprises the assets and liabilities, income and expenses, and cash flows of Lakehouse Holdings Limited (the “Operating Company”) and its subsidiaries (together, the “Operating Group”).

The direct and indirect subsidiaries of Lakehouse Holdings Limited are:

- Lakehouse Contracts Limited
- Lakehouse Design and Build Limited
- Lakehouse Property Investment Limited
- K&T Heating Services Limited
- Allied Protection Limited
- Foster Property Maintenance Limited
- Everwarm Limited

The Operating Group provides asset and energy support services for homes, schools and public buildings, primarily for the public sector and regulated industries.

#### Basis of preparation

The financial information is prepared based on the twelve month period ending 30 September in each reported period. Lakehouse Holdings Limited has prepared consolidated financial information for each of the periods reported, including statutory financial statements for years ended 30 September 2014 and 30 September 2013 prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial information additionally presents the assets, liabilities, income and expenses as at/for the year ended 30 September 2012.

The consolidated financial information has been presented in accordance with requirements of the Prospectus Directive regulation and in accordance with the basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU).

The financial information has been prepared in accordance with 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. These policies have been consistently applied to all periods presented.

#### Standards affecting the financial statements

##### *Adoption of new and revised standards*

The following new and revised standards and interpretations have been applied in the financial statements where appropriate. Their adoption has not had any significant impact on the amounts reported in the financial statements:

- Annual Improvements to IFRSs: 2009–2011 Cycle (May 2012)
- Amendments to IFRS 1 (December 2012)
- Amendments to IFRS 1
- Amendments to IFRS 7 (Dec 2011)
- Amendments to IAS 1 (June 2012)
- Amendments to IAS 36 (May 2013)
- IAS 19 (revised June 2011)
- IFRS 13
- Annual Improvements to IFRSs
- Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters
- Government Grants
- Disclosures – Offsetting Financial Assets and Financial Liabilities
- Presentation of items of other comprehensive income
- Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
- Employee Benefits
- Fair Value Measurement

- Amendments to IAS 12
- IFRS 12
- IFRS 11
- IFRS 10
- IAS 28 (revised May 2011)
- IAS 27 (revised May 2011)
- Amendments to IFRS 7
- IFRIC 20
- Deferred Tax
- Disclosure of Interests in Other Entities
- Joint Arrangements
- Consolidated Financial Statements
- Investments in Associates and Joint Ventures
- Separate Financial Statements
- Offsetting Financial Assets and Liabilities (Disclosures)
- Stripping Costs in the Production Phase of a Surface Mine

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Operating Group:

- Amendments to IAS 39 (Jun 2013)
- Amendments to IAS 36 (May 2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012)
- Amendments to IAS 32 (Dec 2011)
- IFRS 9
- IFRIC 21
- Novation of Derivatives and Continuation of Hedge Accounting
- Recoverable Amount Disclosures for Non-Financial Assets
- Investment Entities
- Offsetting Financial Assets and Financial Liabilities
- Financial Instruments
- Levies

The Directors have evaluated the impact of the adoption of the above standards and interpretations in future periods and concluded that their impact will be immaterial.

## **Significant accounting policies**

### ***Basis of consolidation***

The combined financial information incorporates the assets, liabilities, income and expenses of the Operating Group. The financial information of the subsidiaries are prepared for the same financial reporting period as the Operating 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 Operating Group. Intercompany transactions, balances and unrealised gains and losses transitions between Operating Group companies are eliminated on consolidation.

### ***Going concern***

The Directors have a reasonable expectation that the Operating Company and the Operating 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, eighteen months from the balance sheet date. The Directors have considered the Operating 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 Operating Group should be able to operate within the level of its current facilities. Accordingly, they have adopted the going concern basis in preparing the financial information.

### ***Operating segments***

The Directors regard the Operating 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 in a manner consistent with that by which the chief operating decision maker appraises performance. 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 Operating Group, liabilities incurred by the Operating Group to the former owners of the acquired company and the equity interest issued by the Operating Group in exchange for control of the acquired company. Acquisition-related costs are recognised 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 Operating 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 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.

### ***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 Operating 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 amortization and accumulated impairment losses. Amortisation is recognised on a straight line basis over their useful lives. The estimated useful life and amortization 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
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### ***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 amortization 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:

<i>Intangible asset</i>	<i>Useful economic life</i>	<i>Valuation method</i>
Contracted customer order book	Remaining period of the contract	Expected cash flows receivable
Customer relationships	Five years	Expected cash flows receivable

### ***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 basis:

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

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 scrapping 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.

### ***Impairment of tangible and intangible assets excluding goodwill***

At each balance sheet date, the Operating 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 Operating 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 3.

### ***Revenue***

Revenue is measured in accordance with IAS 18 ‘Revenue’ at the fair value of the consideration received or receivable for services provided in the normal course of business, net of rebates, VAT and discounts and after eliminating sales within the Operating Group.

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 Operating Group; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Operating 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 against the agreed contract rates 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.
- (iv) **Preliminaries income and pre-contract costs**  
 All costs relating to pre-commencement and mobilization 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.

(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 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) *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.

***Retirement benefit costs***

The Operating Group contributes to the personal pension plans of certain employees of the Operating 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 Operating Group in accordance with IAS 19.

### ***Share-based payments***

The Operating Company has issued equity-settled share-based awards 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 Operating 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 Operating 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.

### ***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 Operating 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.

### ***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 Operating Group's liability for current tax is calculated using tax rates prevailing in the year.

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 utilized. 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 the statement of changes in equity.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Operating 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 Operating 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 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 production 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.

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.

Provision is made, where appropriate, to reduce the value of inventory to its net realisable value.

### ***Provisions***

Provisions are recognised when the Operating Group has a present legal or constructive obligation as a result of a past event, and where it is probable that the Operating 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.

### ***Financial instruments***

Financial assets and financial liabilities are recognised on the Operating Group's statement of financial position when the Operating Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Operating 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 Operating 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 an 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 Operating 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 Operating 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 Operating 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 Operating Group after deducting all of its liabilities.

(h) *Equity instruments*

Equity instruments issued by the Operating 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 Operating 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 Operating 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 relates to the total consideration paid (and nominal value of the shares acquired) in respect of the acquisition of Lakehouse Contracts Limited, Lakehouse Design & Build Limited and Lakehouse Property Investment Limited. The acquisitions comprised a group re-organisation and therefore the Operating Group was entitled to use merger accounting.

## **Critical accounting judgments and key sources of uncertainty**

### ***Sources of estimation uncertainty***

The preparation of the financial statements requires the Operating Group to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

### ***Critical accounting estimates and judgments***

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 judgments 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.

The Directors believe the following to be the key areas of estimation and judgment:

#### ***(i) Revenue and profit recognition***

Revenue is recognised based on the stage of completion of job or contract activity. As described in the Revenue section on pages 120 and 121 certain types of service provision pricing mechanisms require minimal judgment; however service provision lump sum construction and construction-type contracts

do require judgments and estimates to be made to determine the stage of completion and the expected outcome for the individual contract.

(ii) *Valuation of work in progress*

The key judgments and estimates in determining the net realisable value of work in progress were:

- an estimation of work completed by subcontractors, as yet unbilled;
- an estimation of costs to complete; and
- an estimation of remaining revenues.

These assessments include a degree of uncertainty and therefore if the key judgments and estimates change, further impairments of work in progress may be necessary.

(iii) *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 judgments and estimates, particularly in relation to the fair value of work in progress, other intangibles and deferred consideration.

The key judgments 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; and
- Identification of and judgments around the uncertainties of the valuation model and its sensitivity to error in its key assumptions.

The key judgments 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; and
- Identification of and judgments around the uncertainties of the valuation model and its sensitivity to error in its key assumptions.

(iv) *Impairment of goodwill, tangible and intangible assets*

The Operating 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 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 9 for further information.

## NOTES TO THE FINANCIAL STATEMENTS

### For the three year period ended 30 September 2014

#### 1. Operating segments

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

The Board of Directors has determined an operating management structure aligned around the four core activities of the Operating 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; and
  - 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 all of the "big six" utility suppliers.
- **Construction:** focused on small to medium sized building projects, normally under framework agreements. 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 is offered as an extended service to social housing clients.

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 Operating Group uses to evaluate performance is Adjusted EBITA. Adjusted EBITA is defined as operating profit or loss adjusted for the add back of the amortization of intangible assets arising from acquisitions, together with those exceptional costs which do not reflect the underlying trading of business and by their incidence are not expected to arise each period.

The Operating 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 Operating Group's revenue and Adjusted EBITA by reportable segment:

	2014 £'000	2013 £'000	2012 £'000
<b>Revenue</b>			
Regeneration	172,611	106,060	85,989
Compliance	32,164	21,229	10,661
Energy Services	22,939	351	2,235
Construction	78,516	65,966	52,642
Central	106	6	24
Total segment revenue	306,336	193,612	151,551
Inter-segment elimination	(3,848)	(1,809)	(18)
Revenue from external customers	302,488	191,803	151,533

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

***Reconciliation of Adjusted EBITA to profit before taxation***

	2014 £'000	2013 £'000	2012 £'000
<b>Adjusted EBITA by segment</b>			
Regeneration	9,267	7,332	4,248
Compliance	2,548	1,221	1,870
Energy Services	2,781	52	(535)
Construction	2,539	931	2,414
Central costs	(6,326)	(3,212)	(2,607)
Total	10,809	6,324	5,390
Amortisation of acquisition intangibles	(5,101)	(1,462)	(1,011)
Exceptional costs	(4,405)	(491)	(267)
Investment income	181	28	60
Finance costs	(1,380)	(302)	(258)
Profit before taxation	104	4,097	3,914

Central costs are those costs that are not allocated directly in support of a segment and comprise certain group service functions.

***Segment analysis***

	2014 £'000	2013 £'000	2012 £'000
<b>Total Assets</b>			
Regeneration	65,040	23,846	24,100
Compliance	23,273	21,471	10,868
Energy Services	41,272	88	352
Construction	23,319	21,267	16,660
Central	8,003	9,662	9,474
Total segment assets	160,907	76,334	61,454
Inter-segment elimination	(11,536)	(4,865)	(1,839)
	149,371	71,469	59,615

	2014 £'000	2013 £'000	2012 £'000
<b>Total Liabilities</b>			
Regeneration	32,733	19,812	24,385
Compliance	5,489	4,874	2,227
Energy Services	8,505	45	4
Construction	29,791	22,292	17,700
Central	35,583	13,677	4,804
Total segment liabilities	112,101	60,700	49,120
Inter-segment elimination	(11,536)	(4,865)	(1,839)
	<u>100,565</u>	<u>55,835</u>	<u>47,281</u>

For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitor the tangible, intangible, financial assets, and current and non-current liabilities attributable to each segment.

#### *Other segment information*

	2014 £'000	2013 £'000	2012 £'000
<b>Depreciation and amortisation</b>			
Regeneration	2,456	100	105
Compliance	1,413	1,780	1,163
Energy Services	1,892	–	1
Construction	31	82	61
Central	214	93	44
<b>Total</b>	<u>6,006</u>	<u>2,055</u>	<u>1,374</u>
<b>Net additions to non-current assets</b>			
Regeneration	27,742	254	181
Compliance	91	6,883	7,687
Energy Services	27,263	–	2
Construction	(733)	527	376
Central	(94)	311	317
<b>Total</b>	<u>54,269</u>	<u>7,975</u>	<u>8,563</u>

Included in net additions is a reduction of £1,402,000 (2013: increase £583,000, 2012: increase £683,000) relating to movements in trade and other receivables due after more than one year. Also included in net additions is a reduction of £302,000 (2013: increase of £210,000) relating to unpaid share premium on shares issued by the Operating Company which is now recoverable within a year.

The results from Operating Group's major customers (defined as customers with 10% or more of Operating Group turnover) for 2014, 2013 and 2012 which are included within the Regeneration segment, were as follows:

	2014	2013	2012
% of Operating Group turnover	19%	31%	34%
	2014 £'000	2013 £'000	2012 £'000
Revenue from customer A	25,341	31,110	28,177
Revenue from customer B	33,126	29,135	22,931

## 2. Operating profit

	2014 £'000	2013 £'000	2012 £'000
Profit before taxation is stated after charging/(crediting):			
Amount of inventories recognised as an expense	18,426	5,929	2,742
Depreciation of property, plant and equipment			
– owned	502	439	319
– held under finance leases	170	19	18
Amortisation of intangible assets	5,334	1,597	1,037
Staff costs (Note 5)	41,280	26,324	20,240
Equity-settled share-based payments (Note 23)	86	24	53
Operating lease rentals:			
– land and buildings	636	316	213
– other	939	298	59
Profit on disposal of property, plant and equipment	(87)	(41)	(15)

## 3. Exceptional costs

	2014 £'000	2013 £'000	2012 £'000
Acquisition costs	696	491	267
Contract costs	2,984	–	–
Disposal of subsidiary business	69	–	–
IPO costs	656	–	–
	<u>4,405</u>	<u>491</u>	<u>267</u>

Acquisition costs comprise legal, professional and incidental expenditure incurred in relation to acquisition activity during the year. The number of acquisitions since 2012 has been exceptional and has been strategically implemented to increase income, service range and critical mass of the Operating Group, not least in anticipation of a listing of the Group on the London Stock Exchange (“IPO”) in the post reporting period.

Contract costs represent exceptional remediation expenses which were identified during the year ended 30 September 2014 but are associated with the resolution of historic matters on a specific contract. A provision for these costs has been recognised on the Statement of Financial Position. £0.1m of costs were incurred during the year ended 30 September 2014 with the remaining amount of £2.9m to be incurred during the year ended 30 September 2015.

IPO costs comprise legal, professional and incidental expenditure incurred in relation to the planned post year end IPO.

The costs discussed above are considered exceptional because they are not part of the underlying trading of the Operating Group and are not expected to recur year to year.



#### 4. Investment income and expenditure

	2014 £'000	2013 £'000	2012 £'000
<i>Investment income</i>			
Bank interest receivable	34	2	3
Unwinding of discount on financial assets	114	26	57
Fair value gain on interest rate hedge arrangement	33	–	–
	<u>181</u>	<u>28</u>	<u>60</u>
<i>Finance expenses</i>			
Interest payable on bank overdrafts and loans	(900)	(216)	(185)
Unwinding of discount on financial liabilities	(480)	(86)	(73)
	<u>(1,380)</u>	<u>(302)</u>	<u>(258)</u>

#### 5. Staff costs

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

	2014 Number	2013 Number	2012 Number
Direct labour and contract management	628	539	416
Administration	354	144	151
	<u>982</u>	<u>683</u>	<u>567</u>

The aggregate remuneration was as follows:

	2014 £'000	2013 £'000	2012 £'000
Wages and salaries	36,770	23,422	18,109
Social security	3,972	2,598	1,913
Pension costs – defined contribution plans	458	304	218
Equity-settled share-based payments	86	24	53
	<u>41,286</u>	<u>26,348</u>	<u>20,293</u>

#### 6. Retirement benefit obligations

The Operating Group contributes to the personal pension plans of certain employees of the Operating Group. The assets of these schemes are held in independently administered funds. From 1 February 2014, the Operating Group contributes to a new workplace pension scheme for all employees in compliance with the automatic enrolment legislation. The Operating Group paid £458,000 in the year ended 30 September 2014, (2013: £304,000, 2012: £218,000). At the reporting date, £151,402 of contributions were payable to the funds, (2013: £28,407, 2012: £27,469).

#### 7. Taxation

	2014 £'000	2013 £'000	2012 £'000
UK corporation tax on profits of the year	1,171	2,034	1,416
Deferred tax (note 15)	(686)	(898)	(359)
Tax on profit on ordinary activities	<u>485</u>	<u>1,136</u>	<u>1,057</u>

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

	2014 £'000	2013 £'000	2012 £'000
Profit before tax	104	4,097	3,914
Effective rate of corporation tax in the UK	22.00%	23.50%	25.00%
Profit before tax at the effective rate of corporation tax	23	963	979
Effects of:			
Expenses not deductible for tax purposes	451	190	119
Adjustment of deferred tax to closing tax rate	49	(17)	(41)
Other adjustments	(38)	–	–
Tax charge for the year	485	1,136	1,057

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:

	2014 £'000	2013 £'000	2012 £'000
Deferred tax changes in estimated excess tax deductions related to share based payments	1,168	102	87

### ***Factors that may affect future charges***

The Finance Act 2013, which provides for a reduction in the main rate of corporation tax from 21 per cent. to 20 per cent. effective from 1 April 2015, was substantively enacted on 2 July 2013. This rate reduction has been reflected in the calculation of the deferred tax at 30 September 2013.

The Finance Act 2012 which provided for a reduction in the main rate of corporation tax from 24 per cent. to 23 per cent. effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of the deferred tax at 30 September 2012.

## **8. Earnings per share**

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

	2014 £'000	2013 £'000	2012 £'000
Loss/earnings for the purpose of basic earnings per share being net profit attributable to the owners of the Operating Company	(381)	2,961	2,857
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares for the purposes of basic loss/earnings per share	2,486,990	16,326	15,620
<i>Diluted</i>			
Effect of dilutive potential ordinary shares:			
Share options	695,683	9,210	9,566
Weighted average number of ordinary shares for the purposes of diluted loss/earnings per share	3,182,673	25,536	25,186
<i>Adjusted</i>			
Effect of share reorganisation, associated with the formation of Lakehouse plc for the listing process	121,332,247	123,802,911	123,803,617
Number of ordinary shares for the purposes of the adjusted loss/earnings per share	123,819,237	123,819,237	123,819,237

The adjusted loss/earnings per share presented on the Statement of Comprehensive Income has been calculated for each reporting period by replacing the weighted average number of shares outlined above with the total number of shares of Lakehouse plc immediately prior to Admission. The number of shares in issue was 123,819,336.

## 9. Goodwill

£'000

### Cost and Carrying value

At 1 October 2011	–
Recognised on acquisition of K&T Heating Services Limited (Note 29)	3,774
At 30 September 2012	3,774
Recognised on acquisition of Allied Protection Limited (Note 29)	3,717
At 30 September 2013	7,491
Recognised on acquisition of Foster Property Maintenance Limited (Note 29)	17,421
Recognised on acquisition of Everwarm Limited (Note 29)	17,476
At 30 September 2014	42,388

Goodwill arising on consolidation represents the excess of the fair value of the consideration transferred over the fair value of the Operating 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	2014 £'000	2013 £'000	2012 £'000
K&T Heating Services	Compliance	3,774	3,774	3,774
Allied Protection	Compliance	3,717	3,717	–
Foster Property Maintenance	Regeneration	17,421	–	–
Everwarm	Energy Services	17,476	–	–
		<u>42,388</u>	<u>7,491</u>	<u>3,774</u>

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 2014 the value in use for each CGU was calculated based upon the cash flow projections of the latest 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 plumbing and heating, fire safety, property maintenance and the renewable 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 Operating Group companies;

- client demand for safe buildings; and
- adjacent market opportunities.

The assumptions used in the impairment reviews are outlined below.

#### ***K&T Heating Services***

The impairment review performed at 30 September 2013 and 2012 utilised a one year budget and a 3 per cent. growth rate was employed for the following two years following each reporting date.

The growth rate applied to the cash flows in years four and five of the impairment reviews performed at 30 September 2014, 30 September 2013 and 30 September 2012 was 5 per cent. A terminal growth rate of 1 per cent. was applied. The discount rates used at 30 September 2014, 30 September 2013 and 30 September 2012 were 10.43 per cent., 10.60 per cent. and 10.93 per cent., respectively. The Directors consider that reasonably possible changes in the key assumptions would not cause the unit's carrying amount to exceed its recoverable amount.

#### ***Allied Protection***

The 2013 impairment review utilised a one year budget and a 2 per cent. growth rate was employed for the following two years. The growth rate applied to the cash flows in years four and five of the impairment review performed at the 30 September 2014 and 30 September 2013 was 5 per cent. A terminal growth rate of 1 per cent. was applied. The discount rate employed was 10.45 per cent. and 10.62 per cent. respectively. The Directors consider that reasonably possible changes in the key assumptions would not cause the unit's carrying amount to exceed its recoverable amount.

#### ***Foster Property Maintenance***

At 30 September 2014, following the cash flows in the three year forecast, no growth was factored in for years four and five and the terminal value. A discount rate of 10.69 per cent. was assumed. The Directors consider that reasonably possible changes in the key assumptions would not result in the unit's carrying amount exceeding its recoverable amount.

#### ***Everwarm***

At 30 September 2014, following the cash flows in the three year forecast, a 5 per cent. growth was assumed for years four and five, together with a terminal value growth rate of 1 per cent. following the end of the fifth year. A discount rate of 10.38 per cent. was assumed. The Directors consider that reasonably possible changes in the key assumptions would not result in the unit's carrying amount exceeding its recoverable amount.

## 10. Other intangible assets

	<i>Acquisition intangibles</i>			
	<i>Computer software</i>	<i>Contracted customer order book</i>	<i>Customer relationships</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost</b>				
At 1 October 2011	324	–	–	324
Recognised upon acquisition	–	2,207	1,112	3,319
Additions	27	–	–	27
At 30 September 2012	351	2,207	1,112	3,670
Acquired in the year	2	–	–	2
Recognised upon acquisition	–	2,058	801	2,859
Additions	252	–	–	252
At 30 September 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
	<i>Acquisition intangibles</i>			
	<i>Computer software</i>	<i>Contracted customer order book</i>	<i>Customer relationships</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Amortisation</b>				
At 1 October 2011	34	–	–	34
Amortisation charge	26	797	214	1,037
At 30 September 2012	60	797	214	1,071
Amortisation charge	135	1,093	369	1,597
At 30 September 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
<b>Carrying value</b>				
At 30 September 2014	649	10,898	6,329	17,876
At 30 September 2013	410	2,375	1,330	4,115
At 30 September 2012	291	1,410	898	2,599

### *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.

The annual post-tax discount rate employed in the calculation of the acquisition intangibles was 13 per cent. (2013: 13 per cent., 2012: 14 per cent.).

### **11. Property plant and equipment**

	<i>Leasehold improvements £'000</i>	<i>Plant &amp; equipment £'000</i>	<i>Fixtures &amp; fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 October 2011	–	88	267	815	1,170
Acquisition in the year	6	22	18	508	554
Additions	–	15	157	27	199
Disposals	–	–	(161)	(84)	(245)
At 30 September 2012	6	125	281	1,266	1,678
Acquisition in the year	–	6	47	96	149
Additions	39	60	104	–	203
Disposals	–	–	(1)	(432)	(433)
At 30 September 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
<b>Depreciation</b>					
At 1 October 2011	–	50	273	597	920
Charge for the year	1	27	56	253	337
Disposals	–	–	(168)	(71)	(239)
At 30 September 2012	1	77	161	779	1,018
Charge for the year	3	34	99	322	458
Disposals	–	–	–	(372)	(372)
At 30 September 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
<b>Net book value</b>					
At 30 September 2014	452	181	552	573	1,758
At 30 September 2013	41	80	171	201	493
At 30 September 2012	5	48	120	487	660
			<i>2014 £'000</i>	<i>2013 £'000</i>	<i>2012 £'000</i>
Net book value of assets held under finance leases			377	27	45
Depreciation charged in year on assets held under finance leases			170	19	18



There were no capital commitments contracted but not provided for in the year (2013: nil, 2012: nil).

## 12. Inventories

	2014 £'000	2013 £'000	2012 £'000
Raw materials and consumables	1,408	207	28
Other work in progress	3,620	2,721	430
	<u>5,028</u>	<u>2,928</u>	<u>458</u>

There are no inventories at 30 September 2014 or 30 September 2013 or 30 September 2012 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.

## 13. Amounts due from and to customers under construction contracts

	2014 £'000	2013 £'000	2012 £'000
<b>Contracts in progress at the balance sheet date:</b>			
Contract costs incurred plus recognised profits			
less recognised losses to date	216,827	190,735	146,142
Less: progress billings	(215,890)	(189,100)	(145,336)
	<u>937</u>	<u>1,635</u>	<u>806</u>
Amounts due from contract customers	3,247	2,689	1,555
Amounts due to contract customers	(2,310)	(1,054)	(749)
	<u>937</u>	<u>1,635</u>	<u>806</u>

Details of retentions held by customers for work performed under construction contracts are disclosed in note 14. As at 30 September 2014 there were no advances received from customers for work performed under construction contracts (2013: Nil, 2012: Nil)

## 14. Trade and other receivables

	2014 £'000	2013 £'000	2012 £'000
<b>Current</b>			
Trade receivables	37,192	25,224	29,945
Construction contract retentions	2,305	1,460	1,275
Related party loans receivable	499	154	68
Social security and other taxes	2,139	1,498	–
Other receivables	4,353	783	466
Prepayments and accrued income	26,690	12,463	7,636
	<u>73,178</u>	<u>41,582</u>	<u>39,390</u>
<b>Non-current</b>			
Construction contract retentions	1,144	1,967	1,529
Related party loans receivable	–	403	511
Other receivables	522	1,000	655
	<u>1,666</u>	<u>3,370</u>	<u>2,695</u>

	2014 £'000	2013 £'000	2012 £'000
<b><i>Trade receivables</i></b>			
Trade receivables not due	27,529	21,073	22,471
Trade receivables past due 1-30 days	5,348	2,065	5,630
Trade receivables past due 31-60 days	2,518	832	1,417
Trade receivables past due 61-90 days	953	547	245
Trade receivables past due over 90 days	1,782	771	247
Gross trade receivables	38,130	25,288	30,010
Provision for bad debt brought forward	(64)	(65)	(95)
Debt provision recognised upon acquisition	(550)	–	–
Amounts written off receivables ledger	3	–	20
Debt provisions credited/(charged) to profit or loss in the year	(327)	1	10
Provision for bad debt at carried forward	(938)	(64)	(65)
Net trade receivables	37,192	25,224	29,945

Included in current other receivables is £342,000 (2013: non-current £302,000, 2012: non-current £92,000) of unpaid share capital and share premium. This is receivable from various directors and employees, details are included in note 31 – related party transactions.

Included in related party loans receivable is an amount of £462,439 owed by La Maison Du Lac Limited to Lakehouse Contracts Limited (2013: £547,368, 2012: £615,325). The loan is unsecured, interest free and repayable in 2015, following a listing of the Group. Mr S Rawlings, Mr P King and Mr P Broider are shareholders and directors of La Maison Du Lac Limited. During the reporting period, Mr S Rawling, Mr P King and Mr P Broider were directors of Lakehouse Holdings Limited.

Included in related party loans receivable is an amount of £26,196 owed by Ms C King to Lakehouse Contracts Limited (2013: nil, 2012: nil). The loan has no fixed due date and is repayable in the event of a sale or liquidation of the Operating Company. Ms C King is an employee of Lakehouse and company secretary of Lakehouse Design & Build Limited and is the sister of Mr S Rawlings a 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 Operating Group's maximum exposure on credit risk is fair value on trade receivables as presented above. The Operating Group has no pledge as security on trade receivables.

Of the trade receivables balances at the end of the year £nil, (2013: £499,000, 2012: £5,412,000) was due from customer A and £1,971,000, (2013: £3,029,000, 2012: £2,705,000) was due from customer B; both being major customers of the Operating Group. In addition, at the end of the year a total of £7,008,000 was owed by three other customers each of whom represented more than 5 per cent. of the total balance of trade receivables, (2013: £6,699,000 – four customers, 2012: £8,520,000 – three customers).

## 15. Deferred tax

	2014 £'000	2013 £'000	2012 £'000
(Provision)/asset brought forward	5	(308)	89
Acquired in the year	50	(34)	(21)
On intangible assets identified at acquisition	(3,724)	(653)	(822)
On market value of share options	1,168	102	87
Transfer on disposal of subsidiary business	2	–	–
Decrease in provision	686	898	359
(Provision)/asset carried forward	<u>(1,813)</u>	<u>5</u>	<u>(308)</u>

The provision for deferred taxation comprises the tax effect of temporary timing differences in respect of:

	2014		2013		2012	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	30	–	–	–	(6)	–
Short term timing differences	138	–	512	–	90	–
On share-based payments	1,464	–	234	–	132	–
On acquisition intangibles	(3,445)	–	(741)	–	(524)	–
	<u>(1,813)</u>	<u>–</u>	<u>5</u>	<u>–</u>	<u>(308)</u>	<u>–</u>

Deferred tax assets and liabilities are offset where the Operating Group has a legally enforceable right to do so.

## 16. Trade and other payables

	2014 £'000	2013 £'000	2012 £'000
<b>Current</b>			
Trade payables	23,999	12,354	8,298
Sub-contract retentions	2,243	1,835	2,229
Accruals and deferred income	41,920	27,607	26,939
Social security and other taxes	3,018	1,551	4,411
Other creditors	1,853	87	53
	<u>73,033</u>	<u>43,434</u>	<u>41,930</u>
<b>Non-current</b>			
Sub-contract retentions	1,441	1,154	473
Accruals and deferred income	3,413	3,407	–
	<u>4,854</u>	<u>4,561</u>	<u>473</u>

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 32 days (2013: 28 days, 2012: 24 days)

Included in accruals and deferred income is deferred consideration arising from business combinations analysed as follows:

	2014 £'000	2013 £'000	2012 £'000
Current	9,915	289	2,532
Non-current	3,195	3,407	–
	<u>13,110</u>	<u>3,696</u>	<u>2,532</u>

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 of 2.45 per cent. (2013: 2.24 per cent., 2012: 2.81 per cent.) that reflects the time value of money.

## 17. Borrowings

	2014 £'000	2013 £'000	2012 £'000
Bank loans at amortised cost:			
Current	3,333	2,672	640
Non-current	7,878	2,675	2,014
	<u>11,211</u>	<u>5,347</u>	<u>2,654</u>
Maturity analysis of bank loans falling due:			
In one year or less, or on demand	3,333	2,672	640
Between one and two years	3,332	1,040	640
Between two and five years	5,002	1,700	1,440
After more than five years	–	–	–
	<u>11,667</u>	<u>5,412</u>	<u>2,720</u>

In October 2013 the Operating Company 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 21st October 2017, and no amount of the overdraft facility was outstanding. An average interest cost of 4.29 per cent. was incurred on the term loan in 2014. The facility is secured by a charge over specific assets of the Operating Company and the Operating Group, excluding Lakehouse Design & Build Limited, and by a cross company guarantee from the Operating Company and its subsidiary undertakings, K & T Heating Services Limited, Allied Protection Limited, Foster Property Maintenance Limited and Everwarm Limited, for an unlimited amount.

La Maison Du Lac Limited, a company related by common directors, has also granted a limited guarantee of £800,000 and a first legal charge over its freehold land and buildings and its associated assets.

Immediately prior to October 2013, the Operating Company's bank facilities comprised:

- £1,631,000 due for repayment by 31 August 2014, and secured by a charge over specific assets of Lakehouse Design & Build Limited.
- £3,781,000 payable by instalments, with the final amount being due on 1 November 2016. At 30 September 2013 there were 23 instalments outstanding. The bank loan was secured by a charge over specific assets of the Operating Company and the Operating Group, excluding Lakehouse Design & Build Limited, and by a cross company guarantee from the Operating Company and its subsidiary undertakings, K & T Heating Services Limited, Allied Protection Limited and Gemini Fire Management Systems Limited, for an unlimited amount. La Maison Du Lac Limited, a company related by common directors, had also granted a limited guarantee of £800,000 and a first legal charge over its freehold land and buildings and its associated assets.

The finance issue costs were being amortised over the existing terms of the loans. The unamortised finance issue costs amounted to £456,000 (2013: £65,000, 2012: £66,000) at the balance sheet date.

## 18. Provisions

	<i>Share costs</i> <i>£'000</i>	<i>Property Development</i> <i>£'000</i>	<i>Legal and Other</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
At 1 October 2011	–	–	–	–
Identified at acquisition	–	–	30	30
At 30 September 2012	–	–	30	30
Identified at acquisition	–	–	20	20
At 30 September 2013	–	–	50	50
Identified at acquisition	–	–	100	100
Additions	459	1,254	4,805	6,518
<b>At 30 September 2014</b>	<b>459</b>	<b>1,254</b>	<b>4,955</b>	<b>6,668</b>

### *Share costs*

Share costs relate to the expense associated with compensating certain employees for the higher than expected costs faced on exercising share options extant at 30 September 2014. This is expected to result in an outflow of economic benefits in 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 is expected to crystallise on the sale of the last building in the development in 2015.

### *Legal and other*

Other costs relate to property dilapidation obligations, potential contract settlement costs and other potential legal settlement costs. 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 3. These are expected to result in an outflow of economic benefit over the next three years.

## 19. Finance lease obligations

These comprise legacy lease arrangements that were in place with an acquisition that occurred in 2011 and lease arrangements entered into by subsidiaries acquired in the year.

	<i>Future minimum lease payments</i> <i>£'000</i>	<i>Interest</i> <i>£'000</i>	<i>Present value of minimum lease payments</i> <i>£'000</i>
At 1 October 2011	–	–	–
New obligations on acquisition	65	(12)	53
Repayments	(9)	3	(6)
At 30 September 2012	56	(9)	47
Repayments	(13)	4	(9)
At 30 September 2013	43	(5)	38
New obligations on acquisition	429	(34)	395
Repayments	(226)	24	(202)
<b>At 30 September 2014</b>	<b>246</b>	<b>(15)</b>	<b>231</b>

Future lease payments are due as follows:

	<i>Future minimum lease payments £'000</i>	<i>Interest £'000</i>	<i>Present value of minimum lease payments £'000</i>
Less than one year	8	(2)	6
Between two and five years	48	(7)	41
At 30 September 2012	<u>56</u>	<u>(9)</u>	<u>47</u>
Less than one year	10	(1)	9
Between two and five years	33	(4)	29
At 30 September 2013	<u>43</u>	<u>(5)</u>	<u>38</u>
Less than one year	167	(2)	165
Between two and five years	79	(13)	66
At 30 September 2014	<u>246</u>	<u>(15)</u>	<u>231</u>

## 20. Called-up share capital

Allotted, called-up and fully paid:

	<i>2014 Number</i>	<i>2013 Number</i>	<i>2012 Number</i>	<i>2014 £</i>	<i>2013 £</i>	<i>2012 £</i>
Ordinary shares of £0.01 each	15,620	15,620	14,655	156	156	147
A ordinary shares of £0.01 each	1,369	1,229	965	14	12	10
B ordinary shares of £0.015 each	3,180	3,180	0	48	48	–
C ordinary shares of £0.015 each	100	100	0	2	2	–
D1 ordinary shares of £0.00001275851 each	5,380,000	–	–	69	–	–
E ordinary shares of £0.015 each	2,000	–	–	30	–	–
				<u>319</u>	<u>218</u>	<u>157</u>

During 2013 the Operating Company changed its Articles of Association and created two new classes of ordinary share being B ordinary shares of £0.015 each and C ordinary shares of £0.015 each. During 2014 the Operating Company changed its Articles of Association and created a further three new classes of ordinary share being D1 ordinary shares of £0.00001275851, D2 ordinary shares of 0.0000001 each and E ordinary shares of £0.015 each.

On 16 April 2014 the Operating Company issued 5,380,000 D1 ordinary shares of £0.00001275851 to the shareholders of Everwarm to facilitate the acquisition of the entire share capital of Everwarm Limited. The fair value of the D1 share issue was 31.5m. (Note 29).

In addition, 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. (Note 23).

The key rights and preferences of the share capital outlined above have been outlined below.

### *Income and dividends*

The A ordinary shares have no rights to any dividend paid by the Operating Company. There is no obligation for the Operating Company to pay any dividends to any class of shares. The payment of a dividend to one class of share shall not give rise to an entitlement on the other relevant classes except that a dividend



benefitting Ordinary, B ordinary, C ordinary or E ordinary shareholders or a combination of these, shall give rise to an entitlement for D1 and D2 ordinary shareholders. The entitlement for the D1 and D2 shares in aggregate will be 25 per cent. of the total dividend paid.

Dividends for Ordinary, B ordinary, C ordinary and E ordinary shares are paid pro-rata according to the percentage of the nominal amounts on their holdings of the shares that are paid up. Dividends for D1 and D2 ordinary shares are paid pro-rata according to the number of such shares held by such shareholders.

### ***Voting rights***

The A ordinary shares have no voting rights at a general meeting, no rights to receive notice of, attend or participate in any general meeting or receive notice of a written resolution. The holders of Ordinary, B ordinary, C ordinary, D1 ordinary, D2 ordinary and E ordinary shares are entitled to receive notice of, attend or participate in any general meeting of the Operating Company and to receive any notice of a written resolution proposed to be passed by the Operating 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.

### ***On liquidation***

25 per cent. of the Generated Value ("Aggregate value of assets available for distribution to all shareholders) is distributed to the D1 and D2 ordinary shareholders pro-rata to the number of such shares held by such shareholders. The remaining 75 per cent. is distributable to the other shareholders dependent upon the quantum of the Generated Value in the following order, pro-rata to the relevant number of shares held by shareholders:

#### ***Generated Value***

£50m	:	Ordinary shareholders and A ordinary shareholders
Next £15m	:	Ordinary shareholders, A ordinary shareholders and B ordinary shareholders
Next £235m	:	Ordinary shareholders, A ordinary shareholders, B ordinary shareholders and C ordinary shareholders
Excess over £300m	:	Ordinary shareholders, A ordinary shareholders, B ordinary shareholders, C ordinary shareholders and E ordinary shareholders

### ***Shareholder protection***

There are a variety of rules in place to protect shareholder rights if shareholdings need to be changed to facilitate a Share Sale, Partial Share Sale or IPO.

## **21. Share premium account**

	<i>£'000</i>
Balance at 1 October 2011 and 30 September 2012	93
Premium arising from issue of equity shares – A ordinary shares	210
Premium arising from issue of equity shares – B ordinary shares	3
At 30 September 2013	<u>306</u>
Premium arising from issue of equity shares – A ordinary shares	40
Premium arising from issue of equity shares – D1 ordinary shares	31,472
Premium arising from issue of equity shares – E ordinary shares	2
At 30 September 2014	<u>31,820</u>

## 22. Merger reserve

In February 2003 a group reconstruction was undertaken. Under this reconstruction the ordinary shares of Lakehouse Contracts Limited, Lakehouse Design and Build Limited and Lakehouse Property Investment Limited were acquired by Lakehouse Holdings Limited at par value. This was treated as a common control transaction under IFRS as the ultimate shareholders and their relative rights were the same before and afterwards. This reserve represents the nominal value of the share capital of each of the three companies acquired on the group reorganisation in February 2003. The balance of this account has not changed and remains at £1,200 as at 30 September 2014.

## 23. Share-based payments

### *Equity-settled share-based payments:*

The Operating Group has a share options scheme for specific employees (including directors). These options can be exercised for a predetermined consideration after nine and before ten years have elapsed from the date of grant or on the earlier occurrence of certain events, including an IPO. If the options remain unexercised the options expire. Except in certain specific circumstances, options lapse if the employee leaves the Operating Group before the options vest.

The fair values are calculated using a maintainable earnings basis, discounted for lack of control and marketability.

At 30 September 2014 there were options over 5,000 ordinary shares (30 September 2013: 5,000; 30 September 2012: 5,000), 3,682 A ordinary shares (30 September 2013: 3,712; 30 September 2012: 4,575) and 1,498,868 D2 ordinary shares. The combined estimated fair value of these options at the date of grant was £1,734,158 (2013: £384,981; 2012: £435,378).

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.

	2014		2013		2012	
	<i>Weighted average exercise price</i>	<i>Options</i>	<i>Weighted average exercise price</i>	<i>Options</i>	<i>Weighted average exercise price</i>	<i>Options</i>
At 1 October	£6.04	8,712	£6.25	9,575	£6.05	9,557
Granted	£0.28	1,498,868	–	–	£111.00	33
Exercised	–	–	£0.01	(489)	–	–
Expired	£111.00	(30)	£19.30	(374)	£111.00	(15)
At 30 September	£0.31	<u>1,507,550</u>	£6.04	<u>8,712</u>	£6.25	<u>9,575</u>

Share options outstanding at the end of the year have the following expiry date and exercise prices:

<i>30 September</i>	<i>Exercise price</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
2016	£0.01	5,000	5,000	5,000
2019	£0.01	3,239	3,239	4,037
2020	£111.00	443	473	538
2024	£0.28	<u>1,498,868</u>	<u>–</u>	<u>–</u>

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 per cent., dividend yield of 0 per cent., expected option life of 1.0 years and annual risk free interest rate of 3 per cent. Future volatility has been estimated based on comparable information from a group of listed peers rather than historical data.

The Operating Group recognised total expenses of £86,000, £24,000 and £53,000 related to equity-settled share-based payment transactions in 2014, 2013 and 2012, respectively.

## 24. Guarantees and contingent liabilities

The Operating Company and certain subsidiaries have, in the normal course of business, given guarantees and performance bonds relating to the Operating Group's contracts totalling £11,327,000 (2013: £10,033,000; 2012: £6,445,000).

## 25. 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 Operating Group comprise trade, loans and other receivables, cash and cash equivalents, and investments in subsidiaries. The principal financial liabilities in the Operating 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 Operating Group's objectives when managing finance and capital are to safeguard the Operating 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 Operating Group is not subject to any externally imposed capital requirements.

The main financial risks faced by the Operating Group are liquidity risk, credit risk and market risk (which includes interest rate risk). Currently the Operating 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*

	<i>Loans and receivables</i>		
	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Financial assets</b>			
Trade receivables, loans and other receivables (Note 14)	74,009	44,502	41,731
Cash and cash equivalents	4,230	8,796	8,484
<b>Total</b>	<u>78,239</u>	<u>53,298</u>	<u>50,215</u>
 <i>Fair value through profit or loss</i>			
	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Financial assets</b>			
Interest rate cap agreement	33	—	—
<b>Total</b>	<u>33</u>	<u>—</u>	<u>—</u>

	<i>Financial liabilities measured at amortised cost</i>		
	<i>As at 30 September 2014 £'000</i>	<i>As at 30 September 2013 £'000</i>	<i>As at 30 September 2012 £'000</i>
<b>Financial liabilities</b>			
<b>Current financial liabilities</b>			
Trade and other payables (Note 16)	71,304	38,800	39,552
Income tax payable	445	1,351	1,090
Borrowings (Note 17)	3,333	2,672	640
Finance lease obligations (Note 19)	165	9	6
Total current financial liabilities	<u>75,247</u>	<u>42,832</u>	<u>41,288</u>
<b>Non-current financial liabilities</b>			
Trade and other payables (Note 16)	4,854	4,561	473
Borrowings (Note 17)	8,334	2,740	2,080
Finance lease obligations (Note 19)	66	29	41
Total non-current financial liabilities	<u>13,254</u>	<u>7,330</u>	<u>2,594</u>
Total financial liabilities	<u>88,501</u>	<u>50,162</u>	<u>43,882</u>

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 Operating Group. The Operating 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 Operating 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 Operating 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 Operating Group has a material exposure to credit risk.

### ***Market risk***

As the Operating Group only operates in the UK and only transacts in Sterling, the Operating 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 Operating Group's short, medium and long-term funding and liquidity management requirements. The Operating Group's policy on liquidity is to ensure that there are sufficient committed borrowing facilities to meet the Operating Group's long to medium-term funding requirements.

The Operating 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 17.

(a) *Interest rate of borrowings*

The interest rate exposure of the Operating Group's borrowings is shown below:

	<i>As at 30 September 2014 £'000</i>	<i>As at 30 September 2013 £'000</i>	<i>As at 30 September 2012 £'000</i>
Floating rate Sterling borrowings with uncapped interest rate	—	1,631	—
Floating rate Sterling borrowings with a capped interest rate	11,667	3,781	2,720

The uncapped Sterling borrowings comprise a short-term funding facility of £3m of which £1.6m was drawn down at 30 September 2013, for the Manor Road housing development and was repayable by 31 August 2014. The borrowings were repaid in full in July 2014. Interest was payable at 6 per cent. over base rate.

The capped Sterling borrowings have a maximum interest rate payable of 5.5 per cent. (2013: 5.0 per cent., 2012: 5.0 per cent.) and are repayable in instalments within the next five years. (2013: five years, 2012: five years)

(b) *Interest rate risk*

Due to the floating rate of interest on the Operating Group's principal borrowings, the Operating Group is exposed to interest rate risk, which is mitigated by financial instruments in place to cap the interest exposure.

(c) *Interest rate sensitivity analysis*

The Operating Group's principal borrowings attract floating rate interest. A half per cent increase in the floating interest rate would be below the interest rate cap and would increase interest payable and decrease equity by £61,000 (2013: £31,000, 2012: £7,000). If the floating interest rate increased to the capped rate, interest payable would increase and equity decrease by £194,000, (2013: £59,000, 2012: £14,000).

## 26. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<i>2014</i>		<i>2013</i>		<i>2012</i>	
	<i>Land and buildings £'000</i>	<i>Other items £'000</i>	<i>Land and buildings £'000</i>	<i>Other items £'000</i>	<i>Land and buildings £'000</i>	<i>Other items £'000</i>
Within one year	705	602	346	355	194	30
Between two and five years	2,350	670	994	595	779	65
Over five years	1,603	—	352	—	525	—
	<u>4,658</u>	<u>1,272</u>	<u>1,692</u>	<u>950</u>	<u>1,498</u>	<u>95</u>

**27. Cash generated from operations**

	2014 £'000	2013 £'000	2012 £'000
Operating profit	1,303	4,371	4,112
<i>Adjustments for:</i>			
Depreciation	672	458	337
Amortisation of intangible assets	5,334	1,597	1,037
Equity-settled share-based payments	86	24	53
Profit on disposal of property, plant and equipment	(87)	(41)	(15)
Loss on disposal of subsidiary business	69	–	–
<i>Changes in working capital:</i>			
Inventories	(1,142)	(2,371)	90
Amounts owed by customers under construction contracts	(558)	(1,134)	(733)
Amounts owed to customers under construction contracts	1,256	305	749
Trade and other receivables	(3,784)	(598)	(12,654)
Trade and other payables	5,672	3,446	11,837
Provisions	6,518	–	–
Cash generated from operations	<u>15,339</u>	<u>6,057</u>	<u>4,813</u>

**28. Reconciliation of net cashflow to movement in net funds:**

	2014 £'000	2013 £'000	2012 £'000
(Decrease)/increase in cash in the period	(4,566)	312	1,472
Net cash (outflow) from increase in bank and hire purchase financing	(6,053)	(2,683)	(2,713)
Fair value of derivative financial instruments	33	–	–
Hire purchase contracts acquired with subsidiary	(395)	–	(54)
Change in net funds	<u>(10,981)</u>	<u>(2,371)</u>	<u>(1,295)</u>
Opening net funds	3,346	5,717	7,012
Closing net (debt)/funds	<u>(7,635)</u>	<u>3,346</u>	<u>5,717</u>

**29. Business Combinations****2014 acquisitions:*****Foster Property Maintenance***

On 21 October 2013 the Operating Group acquired the entire share capital of Foster Property Maintenance for consideration as detailed below. Foster Property Maintenance's principal activity is that of property maintenance and was acquired to extend Lakehouse's geographic reach and strengthen the Operating Group's maintenance capabilities. The transaction has been accounted for by the acquisition method of accounting. The effect of the acquisition on the Operating Group's assets and liabilities were as follows:



	<i>Book value</i> £'000	<i>Fair value</i> <i>adjustments</i> £'000	<i>Fair value</i> £'000
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	801	(241)	560
Goodwill	16	(16)	–
<b>Current</b>			
Inventories	754	–	754
Trade and other receivables	10,076	–	10,076
Cash and cash equivalents	8,320	–	8,320
<b>Total assets</b>	<u>19,967</u>	<u>(257)</u>	<u>19,710</u>
<b>Liabilities</b>			
<b>Non-current</b>			
Deferred tax liability	(62)	37	(25)
Amounts due under finance leases	(26)	–	(26)
<b>Current</b>			
Amounts due under finance leases	(140)	–	(140)
Trade and other payables	(7,311)	13	(7,298)
<b>Total liabilities</b>	<u>(7,539)</u>	<u>50</u>	<u>(7,489)</u>
Net assets acquired	12,428	(207)	12,221
Intangibles acquired			9,433
Deferred tax liability recognised in respect of intangibles capitalised			(1,886)
Goodwill capitalised			17,421
			<u>37,189</u>
Satisfied by:			
Cash consideration			27,965
Deferred consideration(*)			9,224
			<u>37,189</u>

**Note:**

(\*) The significant conditions associated with the deferred consideration were satisfied entirely at the 30 September 2014.

The Foster Property Maintenance intangible assets are recognised and valued at £9.4 million. 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 per cent. after year one 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 per cent. 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 in 2014 was £133,000 (2013: £275,000, 2012: £nil).

### *Post-Acquisition results*

The results for the Foster Property Maintenance since the acquisition date, included within the consolidated statement of comprehensive income for the year ended 30 September 2014, are:

	<i>£'000</i>
Revenue	54,064
Profit from operations	7,698
Interest	2
Profit before tax	7,700
Taxation	(1,698)
Profit for the period	6,002

### *Everwarm*

On 16 April 2014 the Operating Group acquired the entire share capital of Everwarm for consideration as detailed below. Everwarm's principal activity is that of the provision of energy services, insulation and renewable energy solutions and was acquired to expand the Operating Group's offering in the growing energy services sector, together with expanding the Operating Group's geographical reach. The transaction has been accounted for by the acquisition method of accounting. The effect of the acquisition on the Operating Group's assets and liabilities were as follows:

	<i>Book value</i> <i>£'000</i>	<i>Fair value</i> <i>adjustments</i> <i>£'000</i>	<i>Fair value</i> <i>£'000</i>
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	527	–	527
<b>Current</b>			
Inventories	204	–	204
Trade and other receivables	16,655	(551)	16,104
Cash and cash equivalents	16,676	–	16,676
<b>Total assets</b>	<u>34,062</u>	<u>(551)</u>	<u>33,511</u>
<b>Liabilities</b>			
<b>Non-current</b>			
Deferred tax liability	(55)	130	75
Provision for property dilapidations	–	(100)	(100)
Amounts due under finance leases	(109)	–	(109)
<b>Current</b>			
Amounts due under finance leases	(120)	–	(120)
Trade and other payables	(13,791)	–	(13,791)
<b>Total liabilities</b>	<u>(14,075)</u>	<u>30</u>	<u>(14,045)</u>

	<i>Book value</i>	<i>Fair value</i>	<i>Fair value</i>
	<i>£'000</i>	<i>adjustments</i>	<i>£'000</i>
Net assets acquired	19,987	(521)	19,466
Intangibles acquired			9,190
Deferred tax liability recognised in respect of intangibles capitalised			(1,838)
Goodwill capitalised			17,476
			<u>44,294</u>
Satisfied by:			
Cash consideration			12,037
Equity consideration(**)			32,257
			<u>44,294</u>

**Note:**

(\*\*) The equity consideration comprises an allotment of 5,380,000 D1 ordinary shares of £0.0000127581 each, and the pre-acquisition fair value of the grant of options over 1,498,868 D2 ordinary shares of £0.0000001 each in Lakehouse Holdings Limited, for a total fair value consideration of £32,257,000.

The Everwarm Limited intangible assets are recognised and valued at £9.2m. 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 not reduced for any risks associated with capturing returns from the customer relationships as the Directors consider such risk is insignificant bearing in mind the relatively short life of the contracts for this industry. The cash flows are then discounted for the cost of money using a pre-tax discount rate of 13 per cent. 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 in 2014 was £563,000 (2013: £nil, 2012: £nil).

*Post Acquisition results*

The results for the Everwarm since the acquisition date, included within the consolidated statement of comprehensive income for the year ended 30 September 2014, are:

	<i>£'000</i>
Revenue	22,656
Profit from operations	2,835
Interest	(20)
Profit before tax	2,815
Taxation	(528)
Loss for the period	<u>2,287</u>

*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 2013, the consolidated statement of comprehensive income for Lakehouse Holdings Limited for the year ended 30 September 2014 would have been:

	<i>£'000</i>
Revenue	345,230
Profit from operations	12,347
Interest	(1,171)
Profit before tax	11,176
Taxation	(3,056)
Profit for the year	8,120

**2013 acquisition:**

***Allied Protection***

On 2 November 2012, the Operating Group acquired the entire share capital of Allied Protection for consideration as detailed below. Allied Protection's principal activity is that of fire alarm engineers and was acquired to grow the Operating Group's compliance offering to clients. The transaction has been accounted for by the acquisition method of accounting. The effect of the acquisition on the Operating Group's assets and liabilities were as follows:

	<i>Book value</i> <i>£'000</i>	<i>Fair value</i> <i>adjustments</i> <i>£'000</i>	<i>Fair value</i> <i>£'000</i>
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	149	–	149
Intangible assets	2	–	2
<b>Current</b>			
Inventories	99	–	99
Trade and other receivables	2,065	–	2,065
Cash and cash equivalents	460	–	460
<b>Total assets</b>	<u>2,775</u>	<u>–</u>	<u>2,775</u>
<b>Liabilities</b>			
<b>Non-current</b>			
Deferred tax liability	(34)	4	(30)
Provision for property dilapidations		(20)	(20)
<b>Current</b>			
Trade and other payables	(1,473)	–	(1,473)
<b>Total liabilities</b>	<u>(1,507)</u>	<u>(16)</u>	<u>(1,523)</u>

	<i>Book value</i>	<i>Fair value</i>	
	<i>£'000</i>	<i>adjustments</i>	<i>Fair value</i>
		<i>£'000</i>	<i>£'000</i>
Net assets acquired	1,268	(16)	1,252
Intangibles acquired			2,859
Deferred tax liability recognised in respect of intangibles capitalised			(657)
Goodwill capitalised			3,717
			<u>7,171</u>
Satisfied by:			
Cash consideration			3,550
Deferred consideration(***)			3,621
			<u>7,171</u>

**Note:**

(\*\*\*) The significant conditions associated with the deferred consideration are based on the results of Allied Protection together with any relevant acquisitions managed by Allied management for the financial year to 30 September 2015. The contingent consideration is calculated as 0.9 times EBITDA of relevant businesses, which includes any further acquisitions made under the remit of Allied Protection's management team, in the year ended 30 September 2015. The figure has been assumed to be £2.7m, based on an EBIT figure of £3.0m and includes the results of H2O Nationwide, which was acquired on 3 October 2014 and discussed further at note 32. The balance of the consideration has no performance conditions.

The Allied Protection intangible assets are recognised and valued at £2.9 million. 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 then discounted for the cost of money using a pre-tax discount rate of 13 per cent. As the remaining life of the customer contracts varies between one and ten years, the estimated life for customer contracts is assumed to be the average of the remaining life of each contract which is five years. 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 in 2014 was £nil (2013: £193,000, 2012: £67,000).

In the year ended 30 June 2012, Allied Protection recorded a profit after tax of £1,091,358.

*Post-Acquisition results*

The results for Allied Protection since the acquisition date, included within the consolidated statement of comprehensive income for the year ended 30 September 2013, are:

	<i>£'000</i>
Revenue	6,740
Profit from operations	484
Interest	—
Profit before tax	<u>484</u>
Taxation	(112)
Loss for the period	<u>372</u>

Assuming the acquisition date for all business combinations that occurred during the year had been 1 October 2012, the consolidated statement of comprehensive income for Lakehouse Holdings for the year ended 30 September 2013 would have been:

	<i>£'000</i>
Revenue	192,386
Profit from operations	4,515
Interest	(277)
Profit before tax	4,238
Taxation	(1,178)
Profit for the year	<u>3,059</u>

## **2012 acquisition:**

### ***K&T Heating***

On 14 October 2011 the Operating Group acquired the entire share capital of K&T Heating for consideration as detailed below. K&T Heating's principal activity is that of plumbing and heating engineers and was acquired to expand Lakehouse's service offering to social housing providers. The transaction has been accounted for by the acquisition method of accounting. The effect of the acquisition on the Operating Group's assets and liabilities were as follows:

	<i>Book value</i> <i>£'000</i>	<i>Fair value</i> <i>adjustments</i> <i>£'000</i>	<i>Fair value</i> <i>£'000</i>
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	554	–	554
<b>Current</b>			
Inventories	26	–	26
Trade and other receivables	1,651	–	1,651
Cash and cash equivalents	2,254	–	2,254
<b>Total assets</b>	<u>4,485</u>	<u>–</u>	<u>4,485</u>
<b>Liabilities</b>			
<b>Non-current</b>			
Deferred tax liability	(21)	8	(13)
Provision for property dilapidations	–	(30)	(30)
Amounts due under finance leases	(47)	–	(47)
<b>Current</b>			
Trade and other payables	(1,637)	–	(1,637)
Amounts due under finance leases	(6)	–	(6)
<b>Total liabilities</b>	<u>(1,711)</u>	<u>(22)</u>	<u>(1,733)</u>



	<i>Book value</i>	<i>Fair value</i>	<i>Fair value</i>
	<i>£'000</i>	<i>adjustments</i>	<i>£'000</i>
Net assets acquired	2,774	(22)	2,752
Intangibles acquired			3,319
Deferred tax liability recognised in respect of intangibles capitalised			(830)
Goodwill capitalised			3,774
			<u>9,015</u>
Satisfied by:			
Cash consideration			6,550
Deferred consideration(****)			2,465
			<u>9,015</u>

**Note:**

(\*\*\*\*) The significant conditions associated with the deferred consideration were all satisfied at 30 September 2012.

The K&T Heating intangible assets are recognised and valued at £3.3 million. 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 and discounted for the cost of money using a pre-tax discount rate of 14 per cent. 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 in 2014 was £nil (2013: £23,000, 2012: £200,000).

In the year ended 30 July 2011, K&T Heating recorded a profit after tax of £1,045,420.

*Post Acquisition results*

The results for K&T Heating since the acquisition date, included within the consolidated statement of comprehensive income for the year ended 30 September 2012, are:

	<i>£'000</i>
Revenue	<u>10,661</u>
Profit from operations	2,316
Interest	<u>(10)</u>
Profit before tax	2,306
Taxation	<u>(585)</u>
Loss for the period	<u>1,721</u>

Assuming the acquisition date for all business combinations that occurred during the year had been 1 October 2011, the consolidated statement of comprehensive income for Lakehouse Holdings for the year ended 30 September 2012 would have been:

	<i>£'000</i>
Revenue	151,937
Profit from operations	4,217
Interest	(198)
Profit before tax	4,019
Taxation	(1,085)
Profit for the year	2,934

### 30. Summary of consideration paid and payable in respect of acquisitions

	<i>K&amp;T Heating £'000</i>	<i>Allied Protection £'000</i>	<i>Foster Property Maintenance £'000</i>	<i>Everwarm £'000</i>	<i>Total £'000</i>
<b>At 1 October 2011</b>	—	—	—	—	—
Total discounted consideration payable for additions in the year ended 30 September 2012	9,015	—	—	—	9,015
Unwinding of discount	67	—	—	—	67
Paid in year	(6,550)	—	—	—	(6,550)
<b>At 30 September 2012</b>	2,532	—	—	—	2,532
Total discounted consideration payable for additions in the year ended 30 September 2013	—	7,171	—	—	7,171
Unwinding of discount	3	75	—	—	78
Paid in year	(2,535)	(3,550)	—	—	(6,085)
<b>At 30 September 2013</b>	—	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 year	—	—	—	(32,257)	(32,257)
Paid in year	—	(290)	(27,965)	(12,037)	(40,292)
<b>At 30 September 2014</b>	—	3,484	9,626	—	13,110

The fair value of the consideration has been assessed in accordance with the sale and 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.

### 31. Related party transactions

Balances and transactions between the Operating 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 (2013: £112,880, 2012: £112,880).

As at 30 September 2014 La Maison Du Lac Limited had a loan owed to Lakehouse Contracts Limited amounting to £499,066 (2013: £547,368, 2012: £615,325). The loan is unsecured, interest free and repayable in 2015 following a listing of the Group.

Mr S Rawlings is a director of Building Lives Training Academy Limited (“Building Lives”), a community interest company. At 30 September 2014 Building Lives owed the Operating Group £490,304 (2013: £252,644, 2012: £37,459) for services provided which is repayable on normal commercial terms. The total value of services provided by the Operating Group to Building Lives was £693,903 (2013: £479,293; 2012: £185,226).

The Operating 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 Operating 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. £34,375 of rents were paid by the Operating Group in 2014 (2013: £nil; 2012: £nil). The lease terminates in ten years.

### ***Remuneration of key management personnel***

The remuneration of the Directors, together with other key management personnel of the Operating Group, is set out below in aggregate for each of the categories specified in IAS 24 – Related Party transactions. The key management personnel are the members of the Operating Group Management Board.

	2014	2013	2012
Number of members of the Operating Group Management Board at each year end	17	11	11
	£’000	£’000	£’000
Short-term employee benefits	1,908	1,628	1,592
Post-employment benefits	154	99	109
Fees payable	198	171	–
Termination benefits	29	127	–
Share-based payments	51	23	52
	<u>2,340</u>	<u>2,048</u>	<u>1,753</u>

### ***Directors’ transactions***

During the year ended 30 September 2013 Mr S Birrane a Director, purchased a vehicle from the Operating Group for £23,000, of which £4,000 was outstanding at the year end. The outstanding amount has been repaid in full after the year end.

The following amounts were owed to the Operating Company by Directors and other key management personnel in respect of unpaid share premium relating to the share capital of Lakehouse Holdings Limited.

	2014	2013	2012
	£’000	£’000	£’000
Mr S Black	92	92	92
Mr S Rawlings	11	–	–
Other key management personnel	239	210	–
	<u>342</u>	<u>302</u>	<u>92</u>

### ***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 Operating 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 Operating Group in 2014 (2013: £16,500; 2012: £nil). The lease terminates in three years.

A member of the key management personnel is a director and shareholder of the Operating Company that owns property that is leased to the Operating Group. The leases were set up on an arm's length basis with annual rentals determined based on an independent rental valuation. £81,295 of rents were paid by the Operating Group in 2014 (2013: £nil; 2012: £nil). The leases terminate in nine years.

A member of the key management personnel is a director and 50 per cent shareholder of Foster Renewable Energies Limited, a company which provides sub-contractor 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. £3,842,953 was paid to Foster Renewable Energies Limited by the Operating Group in 2014 (2013: £nil; 2012: £nil). £19,633 was payable to Foster Renewable Energies Limited by the Operating Group at 30 September 2014 (2013: £nil, 2012: £nil). There is no contractual commitment to use Foster Renewable Energies Limited.

The brother of a member of the key management personnel is the proprietor of Purple Pig, a business supplying marketing and promotional services to Foster Property Maintenance, a subsidiary of the Operating Company. The contract pursuant to which such services are provided is on arm's length terms, including prices set within prevailing market parameters. £57,658 was paid to Purple Pig by the Operating Group in 2014 (2013: £nil; 2012: £nil). £8,188 was payable to Purple Pig as at 30 September 2014, (2013: £nil, 2012: £nil). There is no contractual commitment to use Purple Pig.

Ms C King, sister of Mr S Rawlings and an employee of Lakehouse and company secretary of Lakehouse Design & Build Limited has a loan agreement in place with Lakehouse Contracts Limited. £25,196 was outstanding as at 30 September 2014 (2013: £ nil, 2012: £nil). The loan has no fixed due date and is repayable in the event of a sale or liquidation of the Operating Company.

### **32. Events after the reporting date**

On 3 October 2014, Lakehouse Contracts Limited, an Operating Group company, acquired the entire issued share capital of H2O Nationwide Limited for a consideration of £7.4 million. The turnover of this company for the year ended 31st July 2014 was £3,394,000 a profit before taxation of £1,099,000.

## **SECTION B: HISTORICAL FINANCIAL INFORMATION ON FOSTER PROPERTY MAINTENANCE LIMITED**

### **PART A: ACCOUNTANTS' REPORT**



The Directors  
Lakehouse plc  
1 King George Close  
Romford  
Essex  
RM7 7LS

Peel Hunt LLP (the "Sponsor")  
Moor House  
120 London Wall  
London  
EC2Y 5ET

18 March 2015

Dear Sirs

#### **Lakehouse plc**

We report on the pre-acquisition financial information for Foster Property Maintenance Limited as at and for the years ended 30 September 2012, 30 September 2013 and for the 21 day period ended 21 October 2013 set out in Part B of Section B of this Part 10 of the prospectus dated 18 March 2015 of Lakehouse plc (the "Company" and, together with its subsidiaries, the "Group") (the "Prospectus"). This pre-acquisition financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1 of the financial information presented in Section B of Part 10 of the Prospectus. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the pre-acquisition financial information in accordance with the basis of preparation set out in Note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Foster Property Maintenance Limited as at and for the years ended 30 September 2012, 30 September 2013 and for the 21 day period ended 21 October 2013, of its profits, cash flows and changes in equity in accordance with the basis of preparation set out in Note 1 to the pre-acquisition financial information.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

### **Deloitte LLP**

*Chartered Accountants*

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*



**PART B: HISTORICAL FINANCIAL INFORMATION OF FOSTER PROPERTY MAINTENANCE LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the period to acquisition beginning 1 October 2011 and ending 21 October 2013**

	<i>Note</i>	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<b>CONTINUING OPERATIONS</b>				
Revenue	1	3,681	45,808	26,560
Cost of sales		(2,624)	(37,344)	(22,193)
<b>Gross profit</b>		<u>1,057</u>	<u>8,464</u>	<u>4,367</u>
Other operating income		9	140	43
Administrative expenses		(198)	(1,220)	(945)
<b>Operating profit</b>		<u>868</u>	<u>7,384</u>	<u>3,465</u>
Finance costs	3	(1)	(60)	(49)
Investment income	3	<u>10</u>	<u>19</u>	<u>10</u>
<b>Profit before tax</b>		<u>877</u>	<u>7,343</u>	<u>3,426</u>
Taxation	4	(214)	(1,746)	(863)
<b>Profit for the period/year and total other comprehensive income attributable to the equity holder of the company</b>		<u>663</u>	<u>5,597</u>	<u>2,563</u>

# STATEMENT OF FINANCIAL POSITION

As at 21 October 2013, 30 September 2013 and 30 September 2012

	<i>Note</i>	<i>At 21 Oct 2013 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>
<b>Non-current assets</b>				
Goodwill	6	16	16	16
Investment property	7	–	903	903
Property, plant and equipment	8	801	1,539	2,016
		<u>817</u>	<u>2,458</u>	<u>2,935</u>
<b>Current assets</b>				
Inventories	9	754	724	440
Amounts due from customers under construction contracts	10	110	73	–
Trade and other receivables	11	9,966	12,063	5,963
Cash and cash equivalents	13	8,320	3,477	1,540
		<u>19,150</u>	<u>16,337</u>	<u>7,943</u>
<b>Total assets</b>		<u>19,967</u>	<u>18,795</u>	<u>10,878</u>
<b>Current liabilities</b>				
Trade and other payables	14	6,639	5,590	3,293
Amounts due to clients under construction contracts	10	–	76	–
Borrowings	13,15	–	41	40
Finance lease obligations	16	140	140	203
Income tax payable		672	798	366
		<u>7,451</u>	<u>6,645</u>	<u>3,902</u>
<b>Net current assets</b>		<u>11,699</u>	<u>9,692</u>	<u>4,041</u>
<b>Non-current liabilities</b>				
Borrowings	15	–	279	470
Finance lease obligations	16	26	34	255
Deferred tax	12	62	72	83
		<u>88</u>	<u>385</u>	<u>808</u>
<b>Total liabilities</b>		<u>7,539</u>	<u>7,030</u>	<u>4,710</u>
<b>Net assets</b>		<u>12,428</u>	<u>11,765</u>	<u>6,168</u>
<b>Equity</b>				
Called up share capital	17	–	–	–
Retained earnings		12,428	11,765	6,168
<b>Equity attributable to equity holder of the company</b>		<u>12,428</u>	<u>11,765</u>	<u>6,168</u>

## STATEMENT OF CHANGES IN EQUITY

For the period to acquisition beginning 1 October 2011 and ending 21 October 2013

	<i>Share Capital £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
<b>At 1 October 2011</b>	–	4,012	4,012
Profit for the year & total comprehensive income	–	2,563	2,563
Dividends declared	–	(407)	(407)
<b>At 30 September 2012</b>	–	6,168	6,168
Profit for the year & total comprehensive income	–	5,597	5,597
<b>At 30 September 2013</b>	–	11,765	11,765
Profit for the period & total comprehensive income	–	663	663
<b>At 21 October 2013</b>	–	12,428	12,428

# STATEMENT OF CASH FLOWS

For the period to acquisition beginning 1 October 2011 and ending 21 October 2013

	<i>Note</i>	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<b>Cash flows from operating activities</b>				
Cash generated from operations	21	3,925	3,615	1,682
Interest paid		(1)	(60)	(49)
Interest received		1	19	10
Taxation		(350)	(1,325)	(774)
<b>Net cash generated from operating activities</b>		<u>3,575</u>	<u>2,249</u>	<u>869</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(36)	(249)	(305)
Proceeds from disposal of property, plant and equipment		732	454	14
Proceeds from disposal of investment property		900	–	–
<b>Net cash from/(used in) investing activities</b>		<u>1,596</u>	<u>205</u>	<u>(291)</u>
<b>Cash flows from financing activities</b>				
Receipt of new bank borrowings		–	–	150
Repayment of bank borrowings		(320)	(190)	(45)
Repayment of obligations under finance leases		(8)	(327)	(152)
Equity dividends		–	–	(338)
<b>Net cash used in financing activities</b>		<u>(328)</u>	<u>(517)</u>	<u>(385)</u>
<b>Net increase in cash and cash equivalents</b>		4,843	1,937	193
Cash and cash equivalents at beginning of period/year		3,477	1,540	1,347
<b>Cash and cash equivalents at end of period/year</b>	13	<u>8,320</u>	<u>3,477</u>	<u>1,540</u>

## STATEMENT OF ACCOUNTING POLICIES

### For the period to acquisition beginning 1 October 2011 and ending 21 October 2013

#### General information

Foster Property Maintenance Limited (the “Company”) provides services of property maintenance.

The additional pre-acquisition information comprises the assets, liabilities income, expenses and cash flows of the Company, which was acquired by Lakehouse Contracts Limited, a wholly owned subsidiary of Lakehouse Holdings Limited, on 21 October 2013. The financial information presented covers the period from 1 October 2011 to 21 October 2013.

#### Basis of preparation

The pre-acquisition financial information has been prepared for the years ended 30 September 2012, 30 September 2013 and the period 1 October 2013 to 21 October 2013. The statutory reporting period end was 31 March, however, the additional financial information has been presented to September in order to align with the historical financial information of Lakehouse Holdings Limited.

The pre-acquisition financial information has been presented in accordance with the requirements of the Prospectus Directive regulation and in accordance with the basis of preparation. The basis of preparation describes how the pre-acquisition financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“IFRSs as adopted by the EU”).

The financial information has been prepared in accordance with 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. These policies have been consistently applied to all periods presented.

#### Standards affecting the financial statements

##### *Adoption of new and revised standards*

The following new and revised standards and interpretations have been applied in the financial statements where appropriate. Their adoption has not had any significant impact on the amounts reported in the financial statements:

- |  |  |
|--|--|
| • Annual Improvements to IFRSs: 2009-2011 Cycle (May 2012) | • Annual Improvements to IFRSs   |
| • Amendments to IFRS 1 (December 2012)                     | • Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters |
| • Amendments to IFRS 1                                     | • Government Grants  |
| • Amendments to IFRS 7 (Dec 2011)                          | • Disclosures – Offsetting Financial Assets and Financial Liabilities      |
| • Amendments to IAS 1 (June 2012)                          | • Presentation of items of other comprehensive income                      |
| • Amendments to IAS 36 (May 2013)                          | • Recoverable Amount Disclosures for Non-Financial Assets (early adopted)  |
| • IAS 19 (revised June 2011)                               | • Employee Benefits  |
| • IFRS 13  | • Fair Value Measurement   |
| • Amendments to IAS 12                                     | • Deferred Tax   |
| • IFRS 12  | • Disclosure of Interests in Other Entities                                |
| • IFRS 11  | • Joint Arrangements   |
| • IFRS 10  | • Consolidated Financial Statements  |
| • IAS 28 (revised May 2011)                                | • Investments in Associates and Joint Ventures                             |
| • IAS 27 (revised May 2011)                                | • Separate Financial Statements  |
| • Amendments to IFRS 7                                     | • Offsetting Financial Assets and Liabilities (Disclosures)                |

- IFRIC 20
- Stripping Costs in the Production Phase of a Surface Mine

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company:

- Amendments to IAS 39 (Jun 2013)
- Amendments to IAS 36 (May 2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012)
- Amendments to IAS 32 (Dec 2011)
- IFRS 9
- IFRIC 21
- Novation of Derivatives and Continuation of Hedge Accounting
- Recoverable Amount Disclosures for Non-Financial Assets
- Investment Entities
- Offsetting Financial Assets and Financial Liabilities
- Financial Instruments
- Levies

The Directors have evaluated the impact of the adoption of the above standards and interpretations in future periods and concluded that their impact will be immaterial.

### **Significant accounting policies**

#### ***Going concern***

The Directors have a reasonable expectation that the Company has 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, eighteen months from the balance sheet date. The Directors have considered the Company'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 Company should be able to operate within the level of its current facilities. Accordingly, they have adopted the going concern basis in preparing the financial information.

#### ***Goodwill***

Goodwill comprises purchased goodwill and is recognised and measured at cost less accumulated impairment losses.

#### ***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

#### ***Property, plant and equipment***

Excluding Investment Properties, property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Investment properties are not subject to depreciation instead they are revalued to fair value on an annual basis, with any excess transferred to revaluation reserve.

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 basis:

Freehold land – No depreciation  
Freehold Buildings – 4 per cent. per annum on a straight line basis

Investment properties	–	No depreciation
Leasehold improvements	–	Straight line over the period of the lease
Plant & equipment	–	15 per cent. per annum reducing balance
Fixtures & fittings	–	15 per cent. per annum reducing balance
Motor vehicles	–	25 per cent. per annum reducing balance

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 scrapping 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.

### ***Impairment of tangible and intangible assets***

At each balance sheet date, the Company 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 Company 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 Company 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.

### ***Revenue***

Revenue is measured in accordance with IAS 18 ‘Revenue’ at the fair value of the consideration received or receivable for services provided in the normal course of business, net of rebates, VAT and discounts.

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 Company; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company 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 against the agreed contract rates and the resulting revenue is recognised.

(ii) Fixed price (or lump sum) 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 the 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. Cost is recognised as incurred.

For both revenue streams margin should be recognised based on the actual costs 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.

(iv) 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.

(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 by agreeing a monthly valuation certificate with the customer.

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 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 due to 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) *Contract variations*

Revenue from all contract variations are only recognised after agreement has been received from the client. Any costs incurred relating to contract variations are included in work in progress until recognition of the revenue and margin is permitted.

***Finance income and costs***

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

Borrowing costs are capitalised where the Company 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.

***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 Company's liability for current tax is calculated using tax rates prevailing in the year.

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 Company 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 Company 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 production 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.

Work in progress is included in inventories after deducting foreseeable losses and payments on account not matched with revenue. Work in progress represents costs incurred on contracts that cannot be matched with contract work accounted for as revenue. Cost comprises materials, direct labour and any subcontracted work that has been incurred in bringing the inventories and work in progress to their present location and condition.

Provision is made, where appropriate, to reduce the value of inventories to their net realisable value.

### ***Financial instruments***

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company 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 Company 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) *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.

(d) *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.

(e) *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 Company after deducting all of its liabilities.

(f) *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 Company 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 Company'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.

**Critical accounting judgments and key sources of uncertainty**

***Sources of estimation uncertainty***

The preparation of the financial statements requires the Company to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

***Critical accounting estimates and judgments***

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 judgments 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.

The Directors believe the following to be the key areas of estimation and judgment:

(i) *Revenue and profit recognition*

Revenue is recognised based on the stage of completion of job or contract activity. As described in the Revenue section on pages 167 to 169 certain types of service provision pricing mechanisms require minimal judgment; however service provision lump sum contracts and construction contracts do require judgments and estimates to be made to determine the stage of completion and the expected outcome for the individual contract.

(ii) *Valuation of work in progress*

The key judgments and estimates in determining the net realisable value of work in progress were:

- an estimation of costs to complete;
- an estimation of the remaining revenues; and
- an estimation of selling costs.

These assessments include a degree of uncertainty and therefore if the key judgments and estimates change, further impairments of work in progress may be necessary.

(iii) *Useful economic lives of intangible and tangible assets*

Certain intangible and tangible assets are depreciated over their useful economic lives. This is an estimate based on management's knowledge and experience of the assets involved.

## NOTES TO THE FINANCIAL STATEMENTS

For the period to acquisition beginning 1 October 2011 and ending 21 October 2013

### 1. Revenue

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Analysis of the company's revenue:			
– Construction contracts	113	483	–
– Other services	3,568	45,325	26,560
	<u>3,681</u>	<u>45,808</u>	<u>26,560</u>

### 2. Operating profit

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Profit before taxation is stated after charging/(crediting):			
Amount of inventories recognised as an expense	713	6,523	5,450
Depreciation of property, plant and equipment			
– owned	2	105	83
– held under finance leases	15	194	191
Staff costs	244	3,568	2,876
Operating lease rentals:			
– land and buildings	6	82	70
– other	18	286	216
Loss on disposal of property, plant and equipment	25	16	10
Loss on disposal of investment property	3	–	–
Amounts recognised in the statement of comprehensive income:			
– Rental income from investment property	(4)	(50)	(30)
– Direct operating expenses arising from the investment property that generated rental income during the period	–	4	5

### 3. Investment income and expenditure

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<i>Investment income</i>			
Bank interest receivable	10	19	10
	<u>10</u>	<u>19</u>	<u>10</u>
<i>Finance costs</i>			
Interest payable on bank overdrafts and loans	–	(44)	(34)
Interest on obligations under finance leases	(1)	(16)	(15)
	<u>(1)</u>	<u>(60)</u>	<u>(49)</u>

#### 4. Taxation

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
UK corporation tax on profits of the year	224	1,757	831
Deferred tax (note 12)	(10)	(11)	32
Tax on profit on ordinary activities	<u>214</u>	<u>1,746</u>	<u>863</u>

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

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Profit before tax	<u>877</u>	<u>7,343</u>	<u>3,426</u>
Effective rate of corporation tax in the UK	23.00%	23.50%	25.00%
Profit before tax at the effective rate of corporation tax	202	1,726	857
Effects of:			
Expenses not deductible for tax purposes	12	13	10
Differences in rates of deferred taxation	<u>–</u>	<u>7</u>	<u>(4)</u>
Tax charge for the year	<u>214</u>	<u>1,746</u>	<u>863</u>

#### *Factors that may affect future charges*

The Finance Act 2013, which provides for a reduction in the main rate of corporation tax from 21 per cent. to 20 per cent. effective from 1 April 2015, was substantively enacted on 2 July 2013. This rate reduction has not been reflected in the calculation of the deferred tax at 30 September 2013 or 21 October 2013. If the 20 per cent. rate had been used, the deferred tax liability at 30 September 2013 and 21 October 2013 would have reduced by £8,000.

The Finance Act 2012 which provided for a reduction in the main rate of corporation tax from 24 per cent. to 23 per cent. effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has not been reflected in the calculation of the deferred tax at 30 September 2012. If the 23 per cent. rate had been used, the deferred tax liability would have reduced by £9,000.

#### 5. Dividends declared

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Dividend to ordinary shareholders	<u>–</u>	<u>–</u>	<u>407</u>

#### 6. Goodwill

	<i>Purchased Goodwill £'000</i>
<b>Cost</b>	
At 1 October 2011, 30 September 2012, 30 September 2013 and 21 October 2013	<u>30</u>
<b>Impairment</b>	
At 1 October 2011, 30 September 2012, 30 September 2013 and 21 October 2013	<u>14</u>
<b>Carrying value</b>	
At 1 October 2011, 30 September 2012, 30 September 2013 and 21 October 2013	<u>16</u>



The goodwill was identified as part of the acquisition of the unincorporated business of Mr JP Foster in 2002.

## 7. Investment property

*Investment Properties*  
£'000

### Cost and net book value

At 1 October 2011, 30 September 2012 and 30 September 2013	903
Disposals	(903)
At 21 October 2013	–

There was no significant difference in the fair value of the investment properties at 30 September 2012 and 30 September 2013 and original cost, and therefore no revaluation was considered necessary. The investment property had been subject to an external valuation and was classified as level 2 in the fair value hierarchy.

The carrying value was determined by a Directors valuation, based on an external valuation, dated 15 July 2013, for the purposes of the acquisition of the properties by Foster Property Developments Limited. The Directors do not believe there is a material difference in value between the 15 July 2013 and the reported statement of financial position dates.

## 8. Property plant and equipment

	<i>Freehold land &amp; buildings £'000</i>	<i>Leasehold property improvements £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>						
At 1 October 2011	960	–	170	55	1,381	2,566
Additions	193	–	314	12	112	631
Disposals	–	–	–	–	(62)	(62)
At 30 September 2012	1,153	–	484	67	1,431	3,135
Additions	–	24	9	45	214	292
Disposals	(193)	–	(311)	–	(56)	(560)
At 30 September 2013	960	24	182	112	1,589	2,867
Additions	–	–	–	36	–	36
Disposals	(960)	–	(148)	–	(6)	(1,114)
At 21 October 2013	–	24	34	148	1,583	1,789

	<i>Freehold land &amp; buildings £'000</i>	<i>Leasehold property improvements £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Depreciation</b>						
At 1 October 2011	173	–	93	5	612	883
Charge for the year	38	–	42	3	191	274
Disposals	–	–	–	–	(38)	(38)
At 30 September 2012	211	–	135	8	765	1,119
Charge for the year	39	5	49	12	194	299
Disposals	–	–	(70)	–	(20)	(90)
At 30 September 2013	250	5	114	20	939	1,328
Charge for the year	–	1	–	1	15	17
Disposals	(250)	–	(103)	–	(4)	(357)
At 21 October 2013	–	6	11	21	950	988
<b>Net book value</b>						
At 21 October 2013	–	18	23	127	633	801
At 30 September 2013	710	19	68	92	650	1,539
At 30 September 2012	942	–	349	59	666	2,016
			<i>At 21 Oct 2013 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>	
Value of freehold land which is not depreciated			–	–	193	
Net book value of assets held under finance leases			633	650	666	
Depreciation charged in year on assets held under finance leases			15	194	191	

There were no capital commitments contracted but not provided for in the year (2013: none, 2012: none).

## 9. Inventories

	<i>At 21 Oct 2013 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>
Raw materials and consumables	754	724	440
	<u>754</u>	<u>724</u>	<u>440</u>

There are no inventories at 21 October 2013 or 30 September 2013 or 30 September 2012 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. No inventories were pledged as security at 21 October 2013 (30 September 2013: nil; 30 September 2012: nil).

## 10. Construction contracts

### *Contracts in progress at the balance sheet date:*

	<i>At 21 Oct 2013 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>
Contract costs incurred plus recognised profits less recognised losses to date	596	483	–
Less: progress billings	(486)	(486)	–
	<u>110</u>	<u>(3)</u>	<u>–</u>
Amounts due from contract customers	110	73	–
Amounts due to contract customers	–	(76)	–
	<u>110</u>	<u>(3)</u>	<u>–</u>

Details of retentions held by customers for performed under construction contracts are disclosed in note 10.

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Amount of contract revenue recognised as revenue in the period	<u>113</u>	<u>483</u>	<u>–</u>

The method used to determine the contract revenue recognised in the period and the method used to determine the stage of completion of contracts in progress are set out in the Revenue accounting policies on pages 167 to 169.

## 11. Trade and other receivables

	<i>At 21 Oct 2013 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>
<b>Current</b>			
Trade receivables	3,602	5,862	3,371
Construction contract retentions receivable	29	29	–
Other receivables	752	13	–
Prepayments and accrued income	5,583	6,159	2,592
	<u>9,966</u>	<u>12,063</u>	<u>5,963</u>

**Trade receivables**

	At 21 Oct 2013 £'000	At 30 Sep 2013 £'000	At 30 Sep 2012 £'000
Trade receivables not due	3,279	5,080	2,534
Trade receivables past due 1-30 days	223	728	195
Trade receivables past due 31-60 days	74	4	328
Trade receivables past due 61-90 days	–	50	314
Trade receivables past due over 90 days	26	–	–
Gross trade receivables	<u>3,602</u>	<u>5,862</u>	<u>3,371</u>
Provision for bad debt brought forward	–	–	–
Amounts written off receivables ledger	9	–	–
Debt provisions (charged) to profit or loss in the period/year	(9)	–	–
Provision for bad debt at carried forward	<u>–</u>	<u>–</u>	<u>–</u>
Net trade receivables	<u>3,602</u>	<u>5,862</u>	<u>3,371</u>

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 Company's maximum exposure on credit risk is fair value on trade receivables as presented above. The Company has no pledge as security on trade receivables.

**12. Deferred taxation**

	At 21 Oct 2013 £'000	At 30 Sep 2013 £'000	At 30 Sep 2012 £'000
Provision brought forward	(72)	(83)	(51)
Decrease/(increase) in provision	<u>10</u>	<u>11</u>	<u>(32)</u>
Provision carried forward	<u>(62)</u>	<u>(72)</u>	<u>(83)</u>
Amount disclosed in provisions	<u>(62)</u>	<u>(72)</u>	<u>(83)</u>

The provision for deferred taxation comprises the tax effect of temporary timing differences in respect of:

	At 21 Oct 2013		At 30 Sep 2013		At 30 Sep 2012	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	(62)	–	(72)	–	(83)	–
	<u>(62)</u>	<u>–</u>	<u>(72)</u>	<u>–</u>	<u>(83)</u>	<u>–</u>

**13. Cash, cash equivalents and borrowings**

	At 21 Oct 2013 £'000	At 30 Sep 2013 £'000	At 30 Sep 2012 £'000
Bank balances and cash in hand	8,320	3,477	1,540
Cash and cash equivalents	<u>8,320</u>	<u>3,477</u>	<u>1,540</u>
Borrowings due within one year	–	(41)	(40)
Borrowings due between one and two years	–	(42)	(57)
Borrowings due between two and five years	–	(131)	(287)
Borrowings due within more than five years	–	(106)	(126)
Net funds	<u>8,320</u>	<u>3,157</u>	<u>1,030</u>

#### 14. Trade and other payables

	<i>At</i> <i>21 Oct 2013</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2013</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2012</i> <i>£'000</i>
<b>Current</b>			
Trade payables	2,106	1,451	1,652
Accruals and deferred income	3,789	2,807	411
Social security and other taxes	732	854	717
Other payables	12	478	513
	<u>6,639</u>	<u>5,590</u>	<u>3,293</u>

The Directors consider that the carrying amount of trade payables approximates to their fair value.

#### 15. Borrowings

	<i>At</i> <i>21 Oct 2013</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2013</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2012</i> <i>£'000</i>
Borrowings due within one year	<u>–</u>	<u>41</u>	<u>40</u>
Borrowings due between one and two years	<u>–</u>	<u>42</u>	<u>57</u>
Borrowings due between two and five years	<u>–</u>	<u>131</u>	<u>287</u>
Borrowings due within more than five years	<u>–</u>	<u>106</u>	<u>126</u>
Total borrowings due after one year	<u>–</u>	<u>279</u>	<u>470</u>

In 2007 the company obtained a loan facility of £705,000 for development of the investment properties and to provide working capital. The loan was repayable in instalments over 15 years and was secured by a debenture over the assets of the company and a guarantee from Foster Property Development Limited. Interest was chargeable on the loan at 1.65 per cent. per annum above the base rate. This loan was fully repaid as at 21 October 2013, with balances outstanding at 30 September 2013 of £320,000, and 30 September 2012 of £359,000.

In 2011 the company obtained a loan of £150,000 in relation to the acquisition of some land. The loan was repayable in instalments over 6 years, with the first instalment payable after 12 months, and was secured by a charge over the land and a guarantee from Foster Property Development Limited. Interest was chargeable on the loan at 3 per cent. per annum above the base rate. This loan was fully repaid as at 30 September 2013, with balance outstanding at 30 September 2012 of £150,000.

#### 16. Finance lease obligations

These comprise lease arrangements for the acquisition of motor vehicles and the acquisition of PV solar panels installed on the roof of the properties. The PV solar panels were acquired in the year ended 30 September 2012 and sold as part of the disposal of the buildings in the year ended 30 September 2013. At this time the remaining lease obligations were settled.

	<i>Present value of minimum lease payments £'000</i>
At 1 October 2011	284
New agreements undertaken	326
Repayments	(152)
At 30 September 2012	458
New agreements undertaken	43
Agreement settled	(112)
Repayments	(215)
At 30 September 2013	174
New agreements undertaken	–
Repayments	(8)
At 21 October 2013	166

Future lease payments are due as follows:

	<i>Present value of minimum lease payments £'000</i>
Less than one year	140
Between two and five years	26
At 21 October 2013	166
Less than one year	140
Between two and five years	34
At 30 September 2013	174
Less than one year	203
Between two and five years	255
At 30 September 2012	458

#### **17. Called up share capital**

Allotted, called up and fully paid:

	<i>At 21 Oct 2013 £</i>	<i>At 30 Sep 2013 £</i>	<i>At 30 Sep 2012 £</i>
150 ordinary shares of £1.00 each	150	150	150

#### **18. Guarantees and contingent liabilities**

The Company has, in the normal course of business, given guarantees and performance bonds relating to the Company's contracts totalling £77,000 (2013: £77,000, 2012: £77,000)

#### **19. 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 Company comprise trade, loans and other receivables, cash and cash equivalents. The principal financial liabilities in the Company comprise borrowings and finance lease obligations which are categorised as debt at amortised cost, together with trade and other payables which are classified as other financial liabilities.

### ***Financial risk management***

The Company's objectives when managing finance and capital are to safeguard the Company'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 Company is not subject to any externally imposed capital requirements.

The Company's business activities expose the Company to a number of financial risks. The main financial risks faced by the Company are liquidity risk, credit risk and market risk (which includes interest rate risk). Currently the Company only operates in the UK and only transacts in sterling. It is therefore not exposed to any foreign currency exchange risk. The Directors regularly review and agree policies for managing each of these risks.

### ***Categories of financial instruments***

	<i>Loans and receivables</i>		
	<i>As at 21 Oct 2013</i>	<i>As at 30 Sep 2013</i>	<i>As at 30 Sep 2012</i>
<i>Financial assets</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables, loans and other receivables (Note 11)	9,966	12,063	5,963
Cash and cash equivalents (Note 13)	8,320	3,477	1,540
Total	<u>18,286</u>	<u>15,540</u>	<u>7,503</u>

	<i>Financial liabilities measured at amortised cost</i>		
	<i>As at 21 Oct 2013</i>	<i>As at 30 Sep 2013</i>	<i>As at 30 Sep 2012</i>
<i>Financial liabilities</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade and other payables (Note 14)	6,639	5,590	3,293
Borrowings (Note 15)	–	320	510
Finance lease obligations (Note 16)	166	174	458
Total	<u>6,805</u>	<u>6,084</u>	<u>4,261</u>

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 Company. The Company 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 Company 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 Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics.

There has been no 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 Company has a credit risk.



### **Market risk**

As the Company only operates in the UK and only transacts in sterling, the Company'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 Directors, who have established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company 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 13.

### **Interest rate sensitivity analysis**

The Company does not have any borrowings outstanding at 21 October 2013, and therefore does not have any exposure to interest rate fluctuations. Accordingly interest rate sensitivities are not required.

## **20. Operating lease commitments**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<i>At 21 Oct 2013</i>		<i>At 30 Sep 2013</i>		<i>At 30 Sep 2012</i>	
	<i>Land and buildings</i>	<i>Other items</i>	<i>Land and buildings</i>	<i>Other items</i>	<i>Land and buildings</i>	<i>Other items</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Within one year	92	48	92	48	77	46
Between two and five years	137	51	137	51	159	117
Over five years	6	—	6	—	—	—
	<u>235</u>	<u>99</u>	<u>235</u>	<u>99</u>	<u>236</u>	<u>163</u>

## **21. Cash flows from operating activities**

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Operating profit	868	7,384	3,465
<i>Adjustments for:</i>			
Depreciation	17	299	274
Loss on disposal of property, plant and equipment	25	16	10
Loss on disposal of investment property	3	—	—
<i>Changes in working capital:</i>			
Inventories	(30)	(284)	(248)
Amounts owed by and to customers under construction contracts	(113)	3	—
Trade and other receivables	2,097	(6,100)	(2,641)
Trade and other payables	1,058	2,297	822
Cash flows from operating activities	<u>3,925</u>	<u>3,615</u>	<u>1,682</u>

## 22. Reconciliation of net cashflow to movement in net funds:

	21 days to 21 Oct 2013 £'000	12m to 30 Sep 2013 £'000	12m to 30 Sep 2012 £'000
Increase in cash in the period	4,843	1,937	193
Finance lease additions	–	(43)	(326)
Net cash outflow from increase in bank and finance lease obligations	328	517	47
Change in net funds	5,171	2,411	(86)
Opening net funds	2,983	572	658
Closing net funds	8,154	2,983	572

## 23. Related party transactions

### *Property, plant and equipment disposal transactions*

Mr JP Foster and Mr S Foster are directors and controlling shareholders of the company and Foster Property Developments Limited. The company had asset disposal transactions with the following related parties:

In the year ended 30 September 2013, the company disposed of some freehold land to Foster Property Developments Limited for net proceeds of £180,000, on an arm's length basis, giving rise to a loss on disposal recognised in the statement of comprehensive income of £14,000.

In the year ended 30 September 2013, the company disposed of its Solar PV panels to Foster Property Developments Limited for net proceeds of £241,000, on an arm's length basis, which resulted in no profit or loss on disposal recognised in the statement of comprehensive income.

In the 21 days ended 21 October 2013, the company disposed of its Investment Property to Foster Property Developments Limited for net proceeds of £900,000, giving rise to a loss on disposal recognised in the statement of comprehensive income of £3,000.

In the 21 days ended 21 October 2013, the company disposed of the remaining freehold land and buildings to Foster Property Developments Limited for net proceeds of £685,000, giving rise to a loss on disposal recognised in the statement of comprehensive income of £25,000.

In the 21 days ended 21 October 2013, the company disposed of plant and machinery to Foster Property Developments Limited for net proceeds of £45,000, which resulted in no profit or loss on disposal.

The quantum of the disposal proceeds was calculated by reference to third party property valuations and agreed valuations based on net book values incorporated in the most recent the financial statements.

### *Trading transactions*

The company had transactions with the following related parties:

#### *Foster Property Developments Limited*

Mr JP Foster and Mr S Foster are directors and controlling shareholders of the company and Foster Property Developments Limited. In the year ended 31st March 2011 a loan of £380,000 was received from Foster Property Developments Limited, with a further £298,711 loaned in August 2011. Interest on the loans was charged quarterly at commercial rates and the loans were repayable in instalments over 60 months. All amounts were paid in full before 21 October 2013.

#### *Foster Renewable Energies Limited*

Mr JP Foster and Mr S Foster are directors and controlling shareholders of the company and Foster Renewable Energies Limited. The company trades with Foster Renewable Energies Limited under normal trade terms.

*R Foster (deceased)*

R Foster was the uncle of Mr JP Foster, a director and shareholder of the company. Land has been purchased from the Estate of R Foster (deceased), the uncle of Mr JP Foster of which he is an executor, to the value of £60,000. The value of the land was considered to be the open market value at the time the sale was made on 9th May 2013. The land was utilised within construction contracts on-going at 30 September 2013. No amounts were owed to the Estate of R Foster (deceased) at 21 October 2013, 30 September 2013 and 30 September 2012.

The amounts included in the statement of comprehensive income are:

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Interest paid to Foster Property Developments Limited	–	20	21
Goods and services purchased from Foster Renewable Energies Limited	38	6,431	2,816
Goods and services recharged to Foster Renewable Energies Limited	–	(214)	(9)

The amounts outstanding included in the statement of financial position are:

	<i>As at 21 Oct 2013 £'000</i>	<i>As at 30 Sep 2013 £'000</i>	<i>As at 30 Sep 2012 £'000</i>
Amounts owed to Foster Property Developments Limited	–	(431)	(658)
Amounts owed to Foster Renewable Energies Limited	(581)	(639)	–
Amounts owed by Foster Renewable Energies Limited	751	731	275

***Remuneration of key management personnel***

The remuneration of the directors, together with other key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 – Related Party transactions.

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Short-term employee benefits	33	684	505
Post-employment benefits	–	–	–
Other long-term benefits	–	–	–
Termination benefits	–	–	–
	<u>33</u>	<u>684</u>	<u>505</u>

**Directors' transactions**

The Directors operated current accounts with the company as follows:

	<i>21 days to 21 Oct 2013 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<b>John Foster</b>			
Amount owed (to)/by company brought forward	(10)	9	91
Dividend receivable	–	2	116
Personal expenditure paid by the company	–	(7)	(114)
Cash received/(paid)	10	(14)	(84)
Amount owed (to)/by company carried forward	–	(10)	9
<b>Steve Foster</b>			
Amount owed (to)/by company brought forward	(8)	161	246
Dividend receivable	–	4	114
Personal expenditure paid by the company	–	(46)	(115)
Cash received/(paid)	8	(127)	(84)
Amount owed (to)/by company carried forward	–	(8)	161
<b>Sheila Foster</b>			
Amount owed by company brought forward	6	56	2
Dividend receivable	–	6	117
Personal expenditure paid by the company	–	(36)	(41)
Cash received/(paid)	(6)	(20)	(22)
Amount owed by company carried forward	–	6	56

## SECTION C: HISTORICAL FINANCIAL INFORMATION ON EVERWARM LIMITED

### PART A: ACCOUNTANTS' REPORT



The Directors  
Lakehouse plc  
1 King George Close  
Romford  
Essex  
RM7 7LS

Peel Hunt LLP (the "Sponsor")  
Moor House  
120 London Wall  
London  
EC2Y 5ET

18 March 2015

Dear Sirs

#### **Lakehouse plc**

We report on the pre-acquisition financial information for Everwarm Limited as at and for the years ended 30 September 2012, 30 September 2013 and the period from 1 October 2013 ending 16 April 2014 set out in Part B of Section C of this Part 10 of the prospectus dated 18 March 2015 of Lakehouse plc (the "Company" and, together with its subsidiaries, the "Group") (the "Prospectus"). This pre-acquisition financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in Note 1 of the financial information presented in Section C of Part 10 of the Prospectus. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the pre-acquisition financial information in accordance with the basis of preparation set out in Note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Everwarm Limited as at and for the years ended 30 September 2012, 30 September 2013 and the period from 1 October 2013 to 16 April 2014, of its profits, cash flows and changes in equity in accordance with the basis of preparation set out in Note 1 to the pre-acquisition financial information.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

### **Deloitte LLP**

*Chartered Accountants*

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

## PART B: HISTORICAL FINANCIAL INFORMATION OF EVERWARM LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

For the period to acquisition beginning 1 October 2011 and ending 16 April 2014

		<i>01 Oct 2013 to Note 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<b>CONTINUING OPERATIONS</b>				
<b>Revenue</b>				
Revenue from services		39,061	48,372	26,804
Cost of sales		(24,964)	(32,488)	(19,280)
<b>Gross profit</b>		<u>14,097</u>	<u>15,884</u>	<u>7,524</u>
Administrative expenses		(3,921)	(4,231)	(2,553)
<b>Operating profit</b>	1	<u>10,176</u>	<u>11,653</u>	<u>4,971</u>
Finance expense	2	(7)	(7)	(15)
Investment income	2	<u>26</u>	<u>5</u>	<u>–</u>
<b>Profit before tax</b>		<u>10,195</u>	<u>11,651</u>	<u>4,956</u>
Taxation	4	<u>(2,357)</u>	<u>(2,760)</u>	<u>(1,253)</u>
<b>Profit for the period/year and total other comprehensive income attributable to the equity holders of the company</b>		<u>7,838</u>	<u>8,891</u>	<u>3,703</u>



# STATEMENT OF FINANCIAL POSITION

As at 16 April 2014, 30 September 2013 and 30 September 2012

	<i>Note</i>	<i>At 16 Apr 2014 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	6	527	583	248
		<u>527</u>	<u>583</u>	<u>248</u>
<b>Current assets</b>				
Inventories	7	204	105	55
Trade and other receivables	8	16,655	11,947	5,883
Cash and cash equivalents	10	16,676	7,342	1,184
		<u>33,535</u>	<u>19,394</u>	<u>7,122</u>
<b>Total assets</b>		<u>34,062</u>	<u>19,977</u>	<u>7,370</u>
<b>Current liabilities</b>				
Trade and other payables	11	8,318	4,242	2,640
Finance lease obligations	12	120	131	39
Income tax payable		5,473	3,110	1,243
		<u>13,911</u>	<u>7,483</u>	<u>3,922</u>
<b>Net current assets</b>		<u>19,624</u>	<u>11,911</u>	<u>3,200</u>
<b>Non-current liabilities</b>				
Borrowings	13	–	140	140
Finance lease obligations	12	109	169	46
Deferred tax	9	55	61	29
		<u>164</u>	<u>370</u>	<u>215</u>
<b>Total liabilities</b>		<u>14,075</u>	<u>7,853</u>	<u>4,137</u>
<b>Net assets</b>		<u>19,987</u>	<u>12,124</u>	<u>3,233</u>
<b>Equity</b>				
Called-up share capital	14	10	10	10
Share-based payment reserve	15	25	–	–
Retained earnings		<u>19,952</u>	<u>12,114</u>	<u>3,223</u>
<b>Equity attributable to equity holders of the company</b>		<u>19,987</u>	<u>12,124</u>	<u>3,233</u>

# STATEMENT OF CHANGES IN EQUITY

For the period to acquisition beginning 1 October 2011 and ending 16 April 2014

		<i>Share-based</i>			
	<i>Note</i>	<i>Share capital</i>	<i>payments reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>At 1 October 2011</b>		10	–	120	130
Profit for the year & total comprehensive income		–	–	3,703	3,703
Dividends declared	5	–	–	(600)	(600)
<b>At 30 September 2012</b>		<u>10</u>	<u>–</u>	<u>3,223</u>	<u>3,233</u>
Profit for the year & total comprehensive income		–	–	8,891	8,891
<b>At 30 September 2013</b>		<u>10</u>	<u>–</u>	<u>12,114</u>	<u>12,124</u>
Profit for the period & total comprehensive income		–	–	7,838	7,838
Share-based payments charge	15	–	25	–	25
<b>At 16 April 2014</b>		<u>10</u>	<u>25</u>	<u>19,952</u>	<u>19,987</u>

# STATEMENT OF CASH FLOWS

For the period to acquisition beginning 1 October 2011 and ending 16 April 2014

	<i>Note</i>	<i>1 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<b>Cash flows from operating activities</b>				
Cash generated from operations	19	9,618	7,258	1,821
Interest received		26	5	–
Interest paid		(7)	(7)	(15)
Taxation		–	(861)	(15)
<b>Net cash generated from operating activities</b>		<u>9,637</u>	<u>6,395</u>	<u>1,791</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(117)	(173)	(84)
Proceeds from disposal of property, plant and equipment		25	–	–
<b>Net cash used in investing activities</b>		<u>(92)</u>	<u>(173)</u>	<u>(84)</u>
<b>Cash flows from financing activities</b>				
Repayments to finance lease creditors		(71)	(64)	(62)
Redemption of preference share capital		(140)	–	–
Dividends paid		–	–	(600)
<b>Net cash used in financing activities</b>		<u>(211)</u>	<u>(64)</u>	<u>(662)</u>
<b>Net increase in cash and cash equivalents</b>		<u>9,334</u>	<u>6,158</u>	<u>1,045</u>
Cash and cash equivalents at beginning of period/year		<u>7,342</u>	<u>1,184</u>	<u>139</u>
<b>Cash and cash equivalents at end of period/year</b>	10	<u>16,676</u>	<u>7,342</u>	<u>1,184</u>

## STATEMENT OF ACCOUNTING POLICIES

### For the period to acquisition beginning 1 October 2011 and ending 16 April 2014

#### General information

Everwarm Limited (the “Company”) provides energy services, insulation and renewable energy solutions.

The additional pre-acquisition information comprises the assets, liabilities, income, expenses and cash flows of the Company, which was acquired by Lakehouse Holdings Limited on 16 April 2014. The financial information presented covers the periods from 1 October 2011 to 16 April 2014.

#### Basis of preparation

The additional financial information has been prepared for the years ended 30 September 2012, 30 September 2013 and the period 1 October 2013 to 14 April 2014. The statutory reporting period end was 31 August; however, the additional financial information has been presented to September in order to align with the reporting date of the historical financial information of Lakehouse Holdings Limited. UK GAAP information has not previously been presented for the reporting periods ended 30 September 2012 or 30 September 2013.

The pre-acquisition financial information has been presented in accordance with the requirements of the Prospectus Directive regulation and in accordance with the basis of preparation. The basis of preparation describes how the pre-acquisition financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU).

The financial information has been prepared in accordance with 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. These policies have been consistently applied to all periods presented.

#### Standards affecting the financial statements

##### *Adoption of new and revised standards*

The following new and revised standards and interpretations have been applied in the financial statements where appropriate. Their adoption has not had any significant impact on the amounts reported in the financial statements:

- |  |  |
|--|--|
| • Annual Improvements to IFRSs: 2009–2011 Cycle (May 2012) | • Annual Improvements to IFRSs   |
| • Amendments to IFRS 1 (December 2012)                     | • Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters |
| • Amendments to IFRS 1                                     | • Government Grants  |
| • Amendments to IFRS 7 (Dec 2011)                          | • Disclosures – Offsetting Financial Assets and Financial Liabilities      |
| • Amendments to IAS 1 (June 2012)                          | • Presentation of items of other comprehensive income                      |
| • Amendments to IAS 36 (May 2013)                          | • Recoverable Amount Disclosures for Non-Financial Assets (early adopted)  |
| • IAS 19 (revised June 2011)                               | • Employee Benefits  |
| • IFRS 13  | • Fair Value Measurement   |
| • Amendments to IAS 12                                     | • Deferred Tax   |
| • IFRS 12  | • Disclosure of Interests in Other Entities                                |
| • IFRS 11  | • Joint Arrangements   |
| • IFRS 10  | • Consolidated Financial Statements  |
| • IAS 28 (revised May 2011)                                | • Investments in Associates and Joint Ventures                             |
| • IAS 27 (revised May 2011)                                | • Separate Financial Statements  |

- Amendments to IFRS 7
- IFRIC 20
- Offsetting Financial Assets and Liabilities (Disclosures)
- Stripping Costs in the Production Phase of a Surface Mine

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company:

- Amendments to IAS 39 (Jun 2013)
- Amendments to IAS 36 (May 2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012)
- Amendments to IAS 32 (Dec 2011)
- IFRS 9
- IFRIC 21
- Novation of Derivatives and Continuation of Hedge Accounting
- Recoverable Amount Disclosures for Non-Financial Assets
- Investment Entities
- Offsetting Financial Assets and Financial Liabilities
- Financial Instruments
- Levies

The Directors have evaluated the impact of the adoption of the above standards and interpretations in future periods and concluded that their impact will be immaterial.

## **Significant accounting policies**

### ***Going concern***

The Directors have a reasonable expectation that the Company has 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, 18 months from the balance sheet date. The Directors have considered the Company'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 Company should be able to operate within the level of its current facilities. Accordingly, they have adopted the going concern basis in preparing the financial information.

### ***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:

Short leasehold improvements	–	20 per cent. per annum reducing balance
Plant & machinery	–	25 per cent. per annum reducing balance
Fixtures & fittings	–	25 per cent. per annum reducing balance
Motor vehicles	–	25 per cent. per annum reducing balance
Computer equipment	–	33 per cent. per annum reducing balance

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 gain or loss arising on the disposal or scrapping 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.

### ***Impairment of tangible and intangible assets***

At each balance sheet date, the Company 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 Company 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.

### ***Revenue***

Revenue is measured in accordance with IAS 18 ‘Revenue’ at the fair value of the consideration received or receivable for services provided in the normal course of business, net of rebates, VAT and discounts. Revenue only arises from services provided. 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 Company; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company 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 against the agreed contract rates and resulting revenue is recognised.

(ii) Fixed price (or lump sum) 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. Cost is recognised as incurred.

For both revenue streams margin should be recognised based on the actual costs 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.

(iv) Preliminaries income and pre-contract costs

All costs relating to pre-commencement and mobilization 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.

(b) *Contract variations*

Revenue from all contract variations are only recognised after agreement has been received from the client. Any costs incurred relating to contract variations are included in work in progress until recognition of the revenue and margin is permitted.

***Retirement benefit costs***

The Company contributes to the defined contribution personal pension plans of certain employees of the Company. 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 Company in accordance with IAS 19.

***Share-based payments***

The Company has issued equity-settled share-based awards 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.

### ***Finance income and costs***

Interest receivable and payable on bank balances is credited or charged to the statement of comprehensive income as incurred. Borrowing costs are capitalised where the Company 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.

### ***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 Company's liability for current tax is calculated using tax prevailing in the year.

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 utilized. 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 Company 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 Company 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 are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, labour and production 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.

Work in progress is included in inventories after deducting any foreseeable losses and payments on account not matched with revenue. Work in progress represents costs incurred on contracts that cannot be matched

with contract work accounted for as revenue. Cost comprises materials, direct labour and any subcontracted work that has been incurred in bringing the inventories and work in progress to their present location and condition.

### ***Financial instruments***

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

(c) *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 Company 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.

(d) *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.

(e) *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.

(f) *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 costs 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.

(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 Company 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 Company 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 Company'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.

## **Critical accounting judgments and key sources of uncertainty**

### ***Sources of estimation uncertainty***

The preparation of the financial statements requires the Company to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

### ***Critical accounting estimates and judgments***

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 judgments 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.

The Directors believe the following to be the key areas of estimation and judgment:

#### ***(i) Revenue and profit recognition***

Revenue is recognised based on the stage of completion of job or contract activity. As described in the Revenue section on pages 194 and 195 certain types of service provision pricing mechanisms require minimal judgment; however service provision lump sum contracts and construction contracts do require judgments and estimates to be made to determine the stage of completion and the expected outcome for the individual contract.

#### ***(ii) Valuation of work in progress***

The key judgments and estimates in determining the net realisable value of work in progress were:

- an estimation of costs to complete;
- an estimation of the remaining revenues; and
- an estimation of selling costs.

These assessments include a degree of uncertainty and therefore if the key judgments and estimates change, further impairments of work in progress may be necessary.

## NOTES TO THE FINANCIAL STATEMENTS

For the period to acquisition beginning 1 October 2011 and ending 16 April 2014

### 1. Operating profit

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Profit before taxation is stated after charging:			
Amount of inventory recognised as an expense	5,202	14,972	10,325
Depreciation of property, plant and equipment:			
– owned	60	52	24
– held under finance leases	54	65	24
Staff costs	4,714	5,659	3,855
Operating lease rentals:			
– land and buildings	88	143	27

### 2. Investment income and expenditure

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<i>Investment income</i>			
Bank interest receivable	26	5	–
<i>Finance costs</i>			
Dividends payable on preference shares	–	–	(12)
Interest on obligations under finance leases	(7)	(7)	(3)
	<u>(7)</u>	<u>(7)</u>	<u>(15)</u>

### 3. Retirement benefit obligations

The Company contributes to the Everwarm Group Self-Invested Personal Pension Scheme which certain employees of the Company are members and to the Self-Invested Personal Pension Scheme of other employees. The assets of these schemes are held in independently administered funds. The Company paid £21,000 in period 1 October 2013 to 16 April 2014, (year ended 30 September 2013: £78,000; year ended 30 September 2012: £712,000). At 16 April 2014 there were no outstanding contributions to the pension schemes (30 September 2013: £ nil; 30 September 2012: £ nil).

### 4. Taxation

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
UK corporation tax on profits of the period/year	2,363	2,728	1,229
Deferred tax (note 9)	(6)	32	24
Tax on profit on ordinary activities	<u>2,357</u>	<u>2,760</u>	<u>1,253</u>

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

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Profit before tax	10,195	11,651	4,956
Effective rate of corporation tax in the UK	22.84%	23.50%	25.00%
Profit before tax at the effective rate of corporation tax	2,328	2,738	1,239
Effects of:			
Expenses not deductible for tax purposes	29	23	28
Differences in rates of deferred taxation	–	(1)	(14)
Tax charge for the period/year	2,357	2,760	1,253

#### ***Factors that may affect future charges***

The Finance Act 2013, which provides for a reduction in the main rate of corporation tax from 21 per cent. to 20 per cent. effective from 1 April 2015, was substantively enacted on 2 July 2013. This rate reduction has not been reflected in the calculation of the deferred tax at 30 September 2013 or 16 April 2014. If the 20 per cent. rate had been used, the deferred tax liability at 30 September 2013 and 16 April 2014 would have reduced by £9,000 and £8,000 respectively.

The Finance Act 2012 which provided for a reduction in the main rate of corporation tax from 24 per cent. to 23 per cent. effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has not been reflected in the calculation of the deferred tax at 30 September 2012. If the 23 per cent. rate had been used, the deferred tax liability would have reduced by £1,000.

## **5. Dividends**

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
'A' and 'B' ordinary shares	–	–	600
	–	–	600

## **6. Property plant and equipment**

	<i>Leasehold property improvements £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>						
At 1 October 2011	–	19	16	31	5	71
Additions	8	56	12	128	27	231
At 30 September 2012	8	75	28	159	32	302
Additions	–	15	104	301	32	452
At 30 September 2013	8	90	132	460	64	754
Additions	–	9	96	–	12	117
Disposals	–	(23)	(20)	(33)	(25)	(101)
At 16 April 2014	8	76	208	427	51	770

	<i>Leasehold property improvements £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
<b>Depreciation</b>						
At 1 October 2011	–	3	1	1	1	6
Charge for the year	1	12	5	24	6	48
At 30 September 2012	1	15	6	25	7	54
Charge for the year	1	17	16	69	14	117
At 30 September 2013	2	32	22	94	21	171
Charge for the year	1	10	32	60	11	114
Disposals	–	(11)	(9)	(8)	(14)	(42)
At 16 April 2014	3	31	45	146	18	243
<b>Net book value</b>						
At 16 April 2014	5	45	163	281	33	527
At 30 September 2013	6	58	110	366	43	583
At 30 September 2012	7	60	22	134	25	248

	<i>At 16 Apr 2014 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>
Net book value of assets held under finance leases	283	337	134
Total future finance lease payments	229	300	85
Depreciation charged in year on assets held under finance leases	54	65	24

There were no capital commitments contracted but not provided for in the year (2013: nil, 2012: nil).

## 7. Inventories

	<i>At 16 Apr 2014 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>
Raw materials and consumables	204	105	55
	<u>204</u>	<u>105</u>	<u>55</u>

There were no inventories at 16 April 2014 or 30 September 2013 or 30 September 2012 carried at fair value less costs to sell. The Directors considered that the replacement value of inventories is not materially different from their carrying value. No inventories were pledged as security at 16 April 2014, (30 September 2013: nil; 30 September 2012: nil).

## 8. Trade and other receivables

	<i>At</i> <i>16 Apr 2014</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2013</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2012</i> <i>£'000</i>
<b>Current</b>			
Trade receivables	8,155	3,844	4,170
Other debtors	465	1,045	150
Prepayments and accrued income	8,035	7,058	1,563
	<u>16,655</u>	<u>11,947</u>	<u>5,883</u>
<b>Trade receivables</b>			
Trade receivables not due	245	295	3,384
Trade receivables past due 1–30 days	3,180	2,544	537
Trade receivables past due 31–60 days	2,691	751	74
Trade receivables past due 61–90 days	1,468	31	154
Trade receivables past due over 90 days	571	223	21
Gross trade receivables	<u>8,155</u>	<u>3,844</u>	<u>4,170</u>
Provision for bad debt brought forward	–	–	–
Amounts written off receivables ledger	–	–	42
Debt provisions credited/(charged) to profit or loss in the period	–	–	(42)
Provision for bad debt at carried forward	<u>–</u>	<u>–</u>	<u>–</u>
Net trade receivables	<u>8,155</u>	<u>3,844</u>	<u>4,170</u>

The majority of invoices raised by the Company to customers are due for immediate payment. 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 Company's maximum exposure on credit risk is fair value on trade receivables as presented above. The Company has no pledge as security on trade receivables.

## 9. Deferred taxation

	<i>At</i> <i>16 Apr 2014</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2013</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2012</i> <i>£'000</i>
Provision brought forward	(61)	(29)	(5)
Decrease/(increase) in provision	6	(32)	(24)
Provision carried forward	<u>(55)</u>	<u>(61)</u>	<u>(29)</u>
Amount disclosed in provisions	<u>(55)</u>	<u>(61)</u>	<u>(29)</u>

The provision for deferred taxation comprises the tax effect of temporary timing differences in respect of:

	<i>At 16 Apr 2014</i>		<i>At 30 Sep 2013</i>		<i>At 30 Sep 2012</i>	
	<i>Provided</i> <i>£'000</i>	<i>Unprovided</i> <i>£'000</i>	<i>Provided</i> <i>£'000</i>	<i>Unprovided</i> <i>£'000</i>	<i>Provided</i> <i>£'000</i>	<i>Unprovided</i> <i>£'000</i>
Short term timing difference	6	–	–	–	–	–
Accelerated capital allowances	(61)	–	(61)	–	(29)	–
	<u>(55)</u>	<u>–</u>	<u>(61)</u>	<u>–</u>	<u>(29)</u>	<u>–</u>



## 10. Cash and cash equivalents

	<i>At</i> <i>16 Apr 2014</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2013</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2012</i> <i>£'000</i>
Bank balances and cash in hand	16,676	7,342	1,184
Cash and cash equivalents	<u>16,676</u>	<u>7,342</u>	<u>1,184</u>

## 11. Trade and other payables

	<i>At</i> <i>16 Apr 2014</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2013</i> <i>£'000</i>	<i>At</i> <i>30 Sep 2012</i> <i>£'000</i>
<b>Current</b>			
Trade payables	4,769	2,098	1,740
Accruals and deferred income	3,037	1,980	567
Social security and other taxes	508	164	103
Other creditors	4	–	230
	<u>8,318</u>	<u>4,242</u>	<u>2,640</u>

The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 12. Finance lease obligations

These comprise lease arrangements for the acquisition of motor vehicles.

	<i>Present value of minimum lease payments £'000</i>
At 1 October 2011	–
New agreements undertaken	147
Repayments	<u>(62)</u>
At 30 September 2012	85
New agreements undertaken	279
Repayments	<u>(64)</u>
At 30 September 2013	300
Repayments	<u>(71)</u>
At 16 April 2014	<u>229</u>

Future lease payments are due as follows:

	<i>Present value of minimum lease payments £'000</i>
Less than one year	120
Between two and five years	109
At 16 April 2014	229
Less than one year	131
Between two and five years	169
At 30 September 2013	300
Less than one year	39
Between two and five years	46
At 30 September 2012	85

### 13. Borrowings

	<i>At 16 Apr 2014 £'000</i>	<i>At 30 Sep 2013 £'000</i>	<i>At 30 Sep 2012 £'000</i>
5% cumulative redeemable preference shares of £1 each	–	140	140
	–	140	140

On 21st February 2014, 140,000 preference shares were redeemed at par.

### 14. Called-up share capital

Allotted, called up and fully paid:

	<i>At 16 Apr 2014 £</i>	<i>At 30 Sep 2013 £</i>	<i>At 30 Sep 2012 £</i>
4,000 'A' ordinary shares of £1.00 each	4,000	4,000	4,000
6,000 'B' ordinary shares of £1.00 each	6,000	6,000	6,000
	10,000	10,000	10,000

### 15. Share-based Payments Reserve

#### *Equity-settled share-based payments:*

The Company has a share options scheme for specific employees (including directors). These options can be exercised for a fixed consideration before ten years have elapsed from the date of the grant contingent on the occurrence of certain events. If the options remain unexercised the options expire. Except for certain specific circumstances, options lapse if the employee leaves the Company before the options vest.

The fair values are calculated using a maintainable earnings basis, discounted for lack of control and marketability.

At 16 April 2014 there were options over 2,786 'C' ordinary shares (30 September 2013: nil; 30 September 2012: nil). The estimated fair value of these options at the date of the grant was £60,535, (30 September 2013: nil; 30 September 2012: nil).

	<i>16 April 2014</i>		<i>30 September 2013</i>		<i>30 September 2012</i>	
	<i>Weighted average exercise price</i>	<i>Options No</i>	<i>Weighted average exercise price</i>	<i>Options No</i>	<i>Weighted average exercise price</i>	<i>Options No</i>
At 1 October 2013	–	–	–	–	–	–
Granted	£151.04	2,786	–	–	–	–
Exercised	–	–	–	–	–	–
Expired	–	–	–	–	–	–
At 16 April 2014	£151.04	<u>2,786</u>	–	<u>–</u>	–	<u>–</u>

Of the 2,786 outstanding options (30 September 2013: nil; 30 September 2012: nil), none had vested at 16 April 2014 (30 September 2013: nil; 30 September 2012: nil).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	<i>Exercise price pence per share</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
2017	£1.00	1,764	–	–
2023	<u>£410.00</u>	<u>1,022</u>	<u>–</u>	<u>–</u>

The weighted average fair value of options granted to executive Directors and employees during the year determined using the Black-Scholes-Merton valuation model was £21.73 per option (30 September 2013: nil; 30 September 2012: nil). The significant inputs into the model were exercise price shown above, future volatility of 34.4 per cent. (30 September 2013: nil; 30 September 2012: nil) dividend yield of 3.48 per cent. (30 September 2013: nil; 30 September 2012: nil), expected option life of 8.3 years (30 September 2013: nil; 30 September 2012: nil), and annual risk free interest rate of 3 per cent. (30 September 2013: nil; 30 September 2012: nil). Future volatility has been estimated based on comparable information rather than historical data. No options were granted in the prior year.

## **16. Guarantees and contingent liabilities**

At 14 April 2014 the Company has not provided any guarantees or performance bonds relating to the Company's contracts (2013: £ nil, 2012: £ nil).

## **17. 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 Company comprise trade, loans and other receivables, cash and cash equivalents. The principal financial liabilities in the Company comprise finance lease obligations which are categorised as debt at amortised cost, together with trade and other payables, which are classified as other financial liabilities.

### ***Financial risk management***

The Company's objectives when managing finance and capital are to safeguard the Company'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 Company is not subject to any externally imposed capital requirements.

The Company's business activities expose the Company to a number of financial risks. The main financial risks faced by the Company are liquidity risk, credit risk and market risk (which includes interest rate risk). Currently the Company only operates in the UK and only transacts in sterling. It is therefore not exposed to

any foreign currency exchange risk. The directors regularly reviews and agrees policies for managing each of these risks.

### *Categories of financial instruments*

	<i>Loans and receivables</i>		
	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>16 Apr 2014</i>	<i>30 Sep 2013</i>	<i>30 Sep 2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Financial assets</b>			
Trade receivables, loans and other receivables (Note 8)	16,655	11,947	5,883
Cash and cash equivalents (Note 10)	16,676	7,342	1,184
Total	<u>33,331</u>	<u>19,289</u>	<u>7,067</u>
	<i>Financial liabilities measured at amortised cost</i>		
	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>16 Apr 2014</i>	<i>30 Sep 2013</i>	<i>30 Sep 2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Financial liabilities</b>			
Trade and other payables (Note 11)	8,318	4,242	2,640
Finance lease obligations (Note 12)	229	300	85
Borrowings – Preferred share capital (Note 13)	–	140	140
Total	<u>8,547</u>	<u>4,682</u>	<u>2,865</u>

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 Company. The Company 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 Company 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 Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics.

There has been no history of bad debts as the majority of its sales are to blue chip power companies, local government councils, and housing trust partnerships and as a consequence the Directors do not consider that the Company has a credit risk.

### *Market risk*

As the Company only operates in the UK and only transacts in sterling, the Company'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 Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company 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.

### ***Interest rate sensitivity analysis***

The Company does not have any borrowings outstanding at 16 April 2014, nor at the comparative reporting dates, and therefore does not have any exposure to interest rate fluctuations. Accordingly interest rate sensitivities are not required.

### **18. Operating lease commitments**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<i>At 16 Apr 2014</i>		<i>At 30 Sep 2013</i>		<i>At 30 Sep 2012</i>	
	<i>Land and buildings</i>	<i>Other items</i>	<i>Land and buildings</i>	<i>Other items</i>	<i>Land and buildings</i>	<i>Other items</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Within one year	129	–	151	–	68	–
Between two and five years	661	–	564	–	304	–
Over five years	661	–	405	–	141	–
	<u>1,451</u>	<u>–</u>	<u>1,120</u>	<u>–</u>	<u>513</u>	<u>–</u>

### **19. Cash flows from operating activities**

	<i>01 Oct 2013 to 16 Apr 2014</i>	<i>12m to 30 Sep 2013</i>	<i>12m to 30 Sep 2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit	10,176	11,653	4,971
<i>Adjustments for:</i>			
Depreciation	114	117	48
Loss on disposal of property, plant and equipment	34	–	–
Equity settled – share based payment charge	25	–	–
<i>Changes in working capital:</i>			
Inventories	(99)	(50)	384
Trade and other receivables	(4,708)	(6,064)	(5,448)
Trade and other payables	4,076	1,602	1,866
Cash flows from operating activities	<u>9,618</u>	<u>7,258</u>	<u>1,821</u>

### **20. Reconciliation of net cashflow to movement in net funds:**

	<i>01 Oct 2013 to 16 Apr 2014</i>	<i>12m to 30 Sep 2013</i>	<i>12m to 30 Sep 2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Increase in cash in the period	9,334	6,158	1,045
Net cash inflow/(outflow) from finance leases	72	(215)	(85)
Change in net funds	<u>9,406</u>	<u>5,943</u>	<u>960</u>
Opening net funds	7,042	1,099	139
Closing net funds	<u>16,448</u>	<u>7,042</u>	<u>1,099</u>

### **21. 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***

The company had transactions with the following related parties:

#### ***Everwarm (Midlands) Limited***

Everwarm (Midlands) Limited is controlled by the shareholders of the company. In February 2013 a loan of £50,000 was made to Everwarm (Midlands) Limited. There was no interest chargeable on the loan and no fixed repayment terms.

#### ***Energy Advice & Consultancy Limited***

A company controlled by Mr R Graham, the husband of director Mrs L Graham provided services to Everwarm Limited under normal commercial trade terms.

The amounts included in the statement of comprehensive income are:

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Interest receivable from Everwarm (Midlands) Limited	–	–	–
Services purchased from Energy Advice & Consultancy Limited	442	265	–

The amounts outstanding included in the statement of financial position are:

	<i>As at 16 Apr 2014 £'000</i>	<i>As at 30 Sep 2013 £'000</i>	<i>As at 30 Sep 2012 £'000</i>
Amounts due from Everwarm (Midlands) Limited	5	50	–
Amounts due to Energy Advice & Consultancy Limited	139	–	–

### ***Directors' transactions***

The Directors operated current accounts with the company as follows:

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<b>M McMahon</b>			
Amount owed to/(by) company brought forward	108	(93)	–
Dividend receivable	–	–	(240)
Personal expenditure paid by the company	–	58	–
Cash (repaid)/withdrawn	(58)	143	147
Amount owed to/(by) company carried forward	<u>50</u>	<u>108</u>	<u>(93)</u>
<b>Mrs L Graham</b>			
Amount owed to/(by) company brought forward	65	(48)	–
Dividend receivable	–	–	(180)
Personal expenditure paid by the company	–	–	–
Cash (repaid)/withdrawn	(9)	113	132
Amount owed to/(by) company carried forward	<u>56</u>	<u>65</u>	<u>(48)</u>

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
<b>K F Saunders</b>			
Amount owed to/(by) company brought forward	69	(63)	–
Dividend receivable	–	–	(180)
Personal expenditure paid by the company	–	19	–
Cash (repaid)/withdrawn	(19)	113	117
Amount owed to/(by) company carried forward	<u>50</u>	<u>69</u>	<u>(63)</u>
<b>R Stirling</b>			
Amount owed to/(by) company brought forward	260	–	–
Cash (repaid)/withdrawn	(260)	260	–
Amount owed to/(by) company carried forward	<u>–</u>	<u>260</u>	<u>–</u>

M McMahon, L Graham and K Saunders are members of the Group Self-Invested Personal Pension Scheme which is the landlord for one of the premises occupied by the company. The Company paid rent of £44,000 in the period 1 October 2013 to 16 April 2014, (year ended 30 September 2013: £75,000, year ended 30 September 2012 £ nil). At 16 April 2014, the company had future lease obligations of £1,050,000 payable over the next ten years in respect of this property (30 September 2013: £675,000, 30 September 2012: £ nil).

The following directors held 5 per cent. cumulative redeemable preference shares at each reporting date:

	<i>As at 16 Oct 2014 £'000</i>	<i>As at 30 Sep 2013 £'000</i>	<i>As at 30 Sep 2012 £'000</i>
M McMahon	–	46	46
Mrs L Graham	–	47	47
K F Saunders	–	47	47
	<u>–</u>	<u>140</u>	<u>140</u>

All the preference shares were redeemed at par on 21 February 2014.

### ***Remuneration of key management personnel***

The remuneration of the directors, together with other key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 – Related Party transactions.

	<i>01 Oct 2013 to 16 Apr 2014 £'000</i>	<i>12m to 30 Sep 2013 £'000</i>	<i>12m to 30 Sep 2012 £'000</i>
Short-term employee benefits	490	294	299
Post-employment benefits	21	78	712
Other long-term benefits	25	–	–
	<u>536</u>	<u>372</u>	<u>1,011</u>



## **PART 11**

### **UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following unaudited pro forma net assets statement and pro forma income statement (the “Pro forma financial information”) of the Group have been prepared to illustrate the effect of the Admission on the Group’s consolidated net assets and income statement as at, and for the year ended, 30 September 2014. The unaudited pro forma financial information has been prepared on the basis of, and should be read in conjunction with, the notes below, in accordance with Annex II to the Prospectus Directive Regulation and in a manner consistent with the accounting policies applied in preparing the Group’s historical financial information as set out in Part 10 (Historical Financial Information) of this Prospectus.

The unaudited pro forma statement of net assets is based on the consolidated net assets of the Group at 30 September 2014 and has been prepared on the basis that the Offer was effective at 30 September 2014. The unaudited proforma income statement is based on the consolidated losses of the Group for the year ended 30 September 2014 and has been prepared on the basis that the Admission and the acquisition of Everwarm and Foster Property Maintenance was effective from 1 October 2013.

The pro-forma financial information has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation and, therefore does not represent the Group’s actual financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

The unaudited pro forma information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006. Shareholders should read the whole of this Prospectus and not rely solely on the summarised financial information contained in this Part 11 (Unaudited Pro Forma Financial Information). Deloitte LLP’s report on the unaudited pro forma statement of net assets and income statement is set out on Section C of this Part 11 (Unaudited Pro Forma Financial Information).

In addition, the unaudited pro forma financial information does not purport to represent what the Group’s financial position and results of operations actually would have been if, in the case of the pro forma net assets statement, the Offer had been completed on the date indicated, or, in the case of the pro forma income statement, the acquisitions of Foster Property Maintenance and Everwarm had been completed on the date indicated, nor does it purport to represent the results of operations of the Company for any future period or the financial condition of the Company at any future date.

## SECTION A: UNAUDITED PRO FORMA NET ASSETS STATEMENT

	<i>30 September 2014 (Note 1) £'000</i>	<i>Adjustments IPO Proceeds (Note 2) £'000</i>	<i>Unaudited Pro Forma (Note 3) £'000</i>
<b>Non-current assets</b>			
Goodwill	42,388	—	42,388
Other intangible assets	17,876	—	17,876
Property, plant and equipment	1,758	—	1,758
Trade and other receivables	1,666	—	1,666
	<u>63,688</u>	<u>—</u>	<u>63,688</u>
<b>Current assets</b>			
Inventories	5,028	—	5,028
Amounts due from customers under construction contracts	3,247	—	3,247
Trade and other receivables	73,178	—	73,178
Cash and cash equivalents	4,230	23,151	27,381
	<u>85,683</u>	<u>23,151</u>	<u>108,834</u>
<b>Total assets</b>	<u>149,371</u>	<u>23,151</u>	<u>172,522</u>
<b>Current liabilities</b>			
Amounts due to clients under contribution contracts	2,310	—	2,310
Trade and other payables	73,033	—	73,033
Borrowings	3,333	—	3,333
Finance lease obligations	165	—	165
Income tax payable	445	—	445
	<u>79,286</u>	<u>—</u>	<u>79,286</u>
<b>Net current assets</b>	<u>6,397</u>	<u>23,151</u>	<u>29,548</u>
<b>Non-current liabilities</b>			
Borrowings	7,878	—	7,878
Finance lease obligations	66	—	66
Provisions	6,668	—	6,668
Deferred tax	1,813	—	1,813
Trade and other payables	4,854	—	4,854
	<u>21,279</u>	<u>—</u>	<u>21,279</u>
<b>Total liabilities</b>	<u>100,565</u>	<u>—</u>	<u>100,565</u>
<b>Net assets</b>	<u>48,806</u>	<u>23,151</u>	<u>71,957</u>

## SECTION B: UNAUDITED PRO FORMA INCOME STATEMENT

	<i>Year ended 30 September 2014 (Note 1) £'000</i>	<i>Foster Property Maintenance (Note 4) £'000</i>	<i>Everwarm (Note 5) £'000</i>	<i>Acquisition adjustments (Note 6) £'000</i>	<i>IPO Adjustments (Note 7) £'000</i>	<i>Unaudited Pro forma (Note 3) £'000</i>
<b>CONTINUING OPERATIONS</b>						
Revenue	302,488	3,681	39,061	–	–	345,230
Cost of sales	(271,639)	(2,624)	(24,964)	–	–	(299,227)
<b>Gross profit</b>	<b>30,849</b>	<b>1,057</b>	<b>14,097</b>	<b>–</b>	<b>–</b>	<b>46,003</b>
Other operating expenses	(20,040)	(189)	(3,921)	–	–	(24,150)
Operating profit before exceptional costs and amortisation of acquisition intangible assets	10,809	868	10,176	–	–	21,853
Exceptional costs	(4,405)	–	–	–	(3,148)	(7,553)
Amortisation of acquisition intangible assets	(5,101)	–	–	(1,283)	–	(6,384)
<b>Operating profit</b>	<b>1,303</b>	<b>868</b>	<b>10,176</b>	<b>(1,283)</b>	<b>(3,148)</b>	<b>7,916</b>
Finance expense	(1,380)	(1)	(7)	–	–	(1,388)
Investment income	181	10	26	–	–	217
<b>Profit before tax</b>	<b>104</b>	<b>877</b>	<b>10,195</b>	<b>(1,283)</b>	<b>(3,148)</b>	<b>6,745</b>
Taxation	(485)	(214)	(2,357)	282	693	(2,081)
<b>Profit and total comprehensive income for the year attributable to the equity holders of the group</b>	<b>(381)</b>	<b>663</b>	<b>7,838</b>	<b>(1,001)</b>	<b>(2,455)</b>	<b>4,664</b>

### Notes:

- (1) The net assets and income statement of the Operating Group have been extracted without adjustment from the historical financial information set out in Part 10 (Historical Financial Information) of this Prospectus.
- (2) The adjustment reflects an estimate of the proceeds of the Offer of approximately £30.0 million, after the deduction of estimated fees and expenses to be incurred of £6.9 million as explained in Part 8 (Operating and Financial Review) of this Prospectus.
- (3) The unaudited pro forma statement of net assets and the unaudited proforma income statement do not reflect any trading results or other transactions undertaken by the Operating Group since 30 September 2014.
- (4) This adjustment is to reflect the results of Foster Property Maintenance for 1 October 2013 to 21 October 2013 set out in Part B of Section B of Part 10 (Historical Financial Information) of this Prospectus, which is the period up to the date of acquisition by the Operating Group.
- (5) This adjustment is to reflect the results of Everwarm for 1 October 2013 to 16 April 2014 set out in Part B of Section C of Part 10 (Historical Financial Information) of this Prospectus, which is the period up to the date of acquisition by the Operating Group. The Directors believe this represented an exceptional period of trading due to changes to the ECO's CERO programme which resulted in a short term acceleration of demand for Everwarm's services. Further detail is provided in paragraph 7.4 of Part 8 (Operating and Financial Review) of this Prospectus.
- (6) These adjustments relate to the amortisation that would have been charged against the intangibles recognised on completion of the acquisitions of Foster Property Maintenance and Everwarm (£1.3 million) and the resulting tax credit of £0.3 million had the acquisitions completed on 1 October 2013. Given the amortisation profile of the intangible assets track the expected cash flows from the contracts to which they relate, the pre-acquisition adjustment has been based on the expected amortisation profile in 2015 to reflect the moving forwards of 2015 cash flows into 2014 by the pre-acquisition period.
- (7) The expected deal costs represent the proportion of estimated costs that will be incurred in the execution of the Admission but are not expected to be directly attributable to the issue of the shares and therefore will be expensed. Total expected deal costs amount to £7.5 million, with £0.7 million having been expensed in the twelve months ended 30 September 2014. It is expected £4.3 million of the costs will relate directly to the issuance of the shares and will therefore be deducted from share premium in the Company. The remaining £3.2 million will be treated as an expense in the income statement as disclosed above. The related tax adjustment of £0.7 million has been calculated based on the expected tax treatment of these costs. Further information regarding the composition of these costs is provided in Part 8 (Operating and Financial Review) of this Prospectus.

## SECTION C: ACCOUNTANTS' REPORT



The Directors  
Lakehouse plc  
1 King George Close  
Romford  
Essex  
RM7 7LS

Peel Hunt LLP (the "Sponsor")  
Moor House  
120 London Wall  
London  
EC2Y 5ET

18 March 2015

Dear Sirs

### **Lakehouse plc**

We report on the pro forma financial information (the "Pro forma financial information") set out in Sections A and B of Part 11 of the prospectus dated 18 March 2015 (the "Prospectus"), which has been prepared on the basis described in Part 11 (Unaudited Pro Forma Financial Information) of the Prospectus, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by Lakehouse Holdings in preparing the historical financial information for the periods ended 30 September 2014, 30 September 2013 and 30 September 2012 included at Part B of Section A of Part 10 (Historical Financial Information) of the Prospectus. This report is required by the Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

### **Responsibilities**

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, or in connection with, this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted

primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

### **Deloitte LLP**

*Chartered Accountants*

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

## PART 12

### DETAILS OF THE OFFER

#### 1. Summary of the Offer

This Part 12 should be read in conjunction with Part 4 (Expected Timetable of Principal Events and Offer Statistics).

The Offer Price per Share is 89 pence and the Offer comprises an offer of, in aggregate, 67,415,731 Shares. Of these, 33,707,865 are Existing Shares being offered by the Selling Shareholders and 33,707,866 are New Shares being offered by the Company, in each case, to certain institutional and other investors in the United Kingdom and elsewhere outside the United States in accordance with Regulation S or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The sale of the 33,707,865 Existing Shares will raise net proceeds for the Selling Shareholders of approximately £29.1 million (after the deduction of placing commissions, amounts in respect of tax and amounts in respect of estimated fees and expenses for which the Selling Shareholders are liable of approximately £0.9 million, in aggregate).

The issue of the 33,707,866 New Shares under the Offer will raise net proceeds for the Company of approximately £23.1 million (after the deduction of placing commissions and amounts in respect of estimated fees and expenses for which the Company is liable of approximately £6.9 million).

All Shares sold or issued pursuant to the Offer will be sold or issued, payable in full, at the Offer Price. The Offer Price has been determined by Peel Hunt in consultation with the Company.

The Offer is subject to satisfaction of the conditions set out in the Placing Agreement, including Admission occurring and becoming effective by no later than 8.00 a.m. on the Closing Date or such later time and/or date as the Company and Peel Hunt may agree, being not later than 8.00 a.m. on 31 March 2015, and to the Placing Agreement not having been terminated in accordance with its terms.

If admitted to trading, the Shares will be registered with ISIN GB00BSKS1M86 and SEDOL number BSKS1M8, and will trade under the symbol “LAKE”. Admission is expected to take place and dealings in the Shares are expected to commence on the London Stock Exchange on 23 March 2015.

Immediately following Admission, in excess of 25 per cent. of the Company’s issued ordinary share capital will be held in ‘public hands’ (within the meaning of paragraph 6.1.19 of the Listing Rules).

The Existing Shares being offered for sale by Selling Shareholders and the New Shares being offered for subscription by the Company will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions after that date declared, made or paid on the ordinary share capital of the Company. The Shares will be freely transferable in accordance with the Articles and will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests.

The Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Shares offered pursuant to this Prospectus may not be offered or sold, directly or indirectly, in, into or within the United States or to or for the account or benefit of any persons within the United States except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Certain restrictions that apply to the distribution of this Prospectus and the Shares being issued and sold under the Offer in jurisdictions outside the United Kingdom are described in paragraph 7 below.

The following table sets out the number of Shares the Selling Shareholders are selling in the Offer and the interests of the Selling Shareholders following Admission:

<i>Selling Shareholder</i>	<i>Number of Shares to be sold under the Offer</i>	<i>%</i>	<i>Shares owned following Admission</i>	<i>%</i>
<b>Principal Selling Shareholders</b>				
Steven Rawlings	6,102,298	9.05	24,409,196	15.50
Philip Broider	3,532,480	5.24	4,403,306	2.80
Robert Stirling	2,562,386	3.80	1,708,258	1.08
Lydia Graham	2,542,050	3.77	4,720,950	3.00
Kennedy Saunders	2,307,164	3.42	4,955,836	3.15
Paul King	1,983,946	2.94	5,951,840	3.78
Michael McMahon	1,791,540	2.66	7,892,460	5.01
Alan Cox	1,751,491	2.60	3,252,770	2.06
Gary Bruce	1,552,113	2.30	—	—
Stuart Black	1,365,921	2.03	5,463,684	3.47
Carol King	1,334,482	1.98	5,337,929	3.39
Sean Birrane	1,183,671	1.76	4,734,684	3.01
Richard Green	1,115,977	1.66	3,347,933	2.13
Christine Jones	1,047,522	1.55	4,190,091	2.66
Dean Ball	1,000,852	1.48	4,003,409	2.54
<b>Aggregate of small Selling Shareholders</b>				
Small Selling Shareholders	2,533,972	3.76	5,739,026	3.64
<b>Total</b>	<b>33,707,865</b>	<b>50.00</b>	<b>90,111,372</b>	<b>57.20</b>

## 2. Bookbuilding and allocation under the Offer

The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes. The subscription and/or purchase of the Offer Shares to be offered under the Offer has been not been underwritten by Peel Hunt save as set out in paragraph 5 below.

Peel Hunt solicited indications of interest from prospective institutional and other investors to subscribe for and/or purchase Offer Shares in the Offer. On this basis, prospective investors have been asked to specify the number of Offer Shares that they are prepared to subscribe for and/or purchase at different prices. Multiple applications under the Offer are permitted.

Allocations under the Offer will be finally determined by Peel Hunt in consultation with the Company in accordance with an allocation policy to be determined by Peel Hunt.

Upon accepting any allocation, prospective investors will be contractually committed to acquire the number of Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from such commitment. A number of factors have been considered in determining the Offer Price and the basis of allocation, including the prevailing market conditions, the level and nature of demand for the Offer Shares, the prices bid to acquire the Offer Shares, the intentions of the Selling Shareholders and the objective of establishing an orderly and liquid after-market in the Shares. The Offer Price and the number of Offer Shares have been established at a level determined in accordance with these arrangements, taking into account indications of interest received from prospective investors.

## 3. Dealings and Admission

The Offer is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors, the Selling Shareholders and Peel Hunt. Further details of the Placing



Agreement are described in paragraph 5 below and in paragraph 12 of Part 14 (Additional Information) of this Prospectus.

Application has been made to the FCA for the Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

It is expected that Admission will take place and dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 23 March 2015. Settlement of dealings from that date will be on a two-day rolling basis.

Each investor in the Offer will be required to undertake to pay the Offer Price for the Offer Shares issued or sold to such investor in such manner as shall be directed by Peel Hunt. It is expected that Shares allocated to investors in the Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the sole risk of the persons concerned.

#### **4. CREST**

With effect from Admission, the Articles will permit the holding of Shares in the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. Settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Shares in the Offer may elect to receive Shares in uncertificated form, if that investor is a system member (as defined in the CREST Regulations) with regard to CREST.

#### **5. Placing arrangements**

The Company, the Directors, the Selling Shareholders and Peel Hunt have entered into the Placing Agreement pursuant to which Peel Hunt has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers and purchasers for the Offer Shares. In the event that it is unable to procure subscribers and purchasers for the Offer Shares, Peel Hunt will not be obliged to purchase or subscribe for the Offer Shares itself provided that, to the extent that Peel Hunt has procured such subscribers and purchasers and any such subscriber and/or purchaser fails to fulfil their contractual commitment to subscribe for and/or purchase any Offer Shares, then Peel Hunt shall be obliged to subscribe for and/or purchase the relevant Offer Shares.

The Placing Agreement contains provisions entitling Peel Hunt to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Shares will be returned without interest. This right of termination cannot be exercised after Admission.

Further details of the terms of the Placing Agreement are set out in paragraph 12 of Part 14 (Additional Information).

#### **6. Lock-up arrangements**

Pursuant to the Placing Agreement, the Company has given certain undertakings to Peel Hunt including an undertaking that it will not, without the prior written consent of Peel Hunt, directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as any of the foregoing during the period of 180 days from the date of Admission (except in connection with or pursuant to any of the Share Incentive Schemes).

Each of the Directors and the Selling Shareholders who hold Shares as at Admission has agreed that, during the period following Admission and expiring on the date which is 30 days from the date on which the Group's interim results for the six month period ending 31 March 2016 are published, subject to certain customary exceptions and certain exceptions in relation to Shares acquired pursuant to the Share Incentive Schemes, he or she will not, directly or indirectly, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as the foregoing.

In addition, each of the Directors and the Selling Shareholders who hold Shares as at Admission have agreed that, for a further period following the expiry of their lock-up periods referred to above and expiring on the day after publication of the Company's pre-close trading statement in connection with the publication of the Company's interim results for the six month period ending 31 March 2017, subject to certain customary exceptions and certain exceptions in relation to Shares acquired pursuant to the Share Incentive Schemes, he or she will not, directly or indirectly, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as the foregoing other than through Peel Hunt with a view to maintaining an orderly market in the Company's securities.

Further, a single Shareholder who will hold Shares as at Admission and who is not selling Existing Shares pursuant to the Offer has agreed to be subject to lock-up arrangements on substantially the same terms as the Selling Shareholders as specified above.

## **7. Selling and transfer restrictions**

The distribution of this Prospectus and the Offer in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been, or will be, taken in any jurisdiction that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction.

This Prospectus does not constitute an offer to subscribe for or purchase any of the Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

### **7.1 *European Economic Area***

Other than in the United Kingdom, no Shares have been offered or sold, or will be offered or sold, in any Relevant Member State, except that the Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a "qualified investor" (as defined in the Prospectus Directive);
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 Prospectus Directive Amending Directive, 150, natural or legal persons (other than

qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of Peel Hunt for and such offer; or

- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or Peel Hunt of a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Peel Hunt and the Company that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression “an offer to the public of any Shares” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of Peel Hunt has been obtained to each such proposed offer or resale.

The Company, Peel Hunt and their respective affiliates, and others will rely upon the truth and accuracy of the representation, warranty and agreement referred to above. Notwithstanding the above, a person who is not a qualified investor and who has notified Peel Hunt of such fact in writing may, with the consent of Peel Hunt and the Company, be permitted to purchase Shares in the Offer.

## 7.2 *United States*

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be, directly or indirectly, offered, sold, resold, transferred or delivered into or within the United States except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. The Shares are being offered and sold outside the United States in “offshore” transactions exempt from, the registration requirements of the Securities Act in reliance on Regulation S or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each purchaser of, or subscriber for, Shares outside the United States in accordance with Regulation S will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

- (a) it is authorised to consummate the purchase or subscription of the Shares in compliance with all applicable laws and regulations;
- (b) it acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;
- (c) it and the person, if any, for whose account or benefit the purchaser or subscriber is acquiring the Shares is purchasing or subscribing for the Shares in an offshore transaction, as such term is defined in Rule 902 of the Securities Act meeting the requirements of Regulation S; and
- (d) the Company, Peel Hunt and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements set out above and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase or subscription of Shares are no longer accurate, it will promptly notify the

Company, and if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgements, representations and agreements set out above on behalf of each such account.

### 7.3 ***United Kingdom***

This Prospectus, any supplementary prospectus and any other material relating to the Shares is only directed at persons who fall within the definition of ‘qualified investor’ within the meaning of Article 2(1)(e) of the Prospectus Directive (“qualified investors”) and that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the “Order”); or (ii) high net worth entities or other persons falling within Articles 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”) or otherwise in circumstances which do not require the publication by the Company of a prospectus pursuant to section 85(1) of the FSMA.

### 7.4 ***Australia***

This Prospectus does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia, as amended (the “Corporations Act”), and will not be lodged with the Australian Securities and Investments Commission. The Shares will not be offered to persons who receive offers in Australia other than with the prior approval of Peel Hunt and on a basis that such offers of Shares for issue or sale do not need disclosure to investors under Part 6D.2 of the Corporations Act. Any offer of Shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Act. In particular, offers for the issue or sale of Shares will only be made in Australia in reliance on various exemptions from such disclosure to investors provided by Section 708 of the Corporations Act. Any person to whom Shares are issued or sold pursuant to an exemption provided by Section 708 of the Corporations Act must not (within 12 months after the issue or sale) offer those Shares in Australia unless that offer is itself made in reliance on an exemption from disclosure provided by that section.

### 7.5 ***Japan***

The Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law, as amended (the “FIEL”). This Prospectus is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan. No such offer of securities for sale will be made except with the prior approval of Peel Hunt and unless made pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with the FIEL and other relevant laws and otherwise in compliance with such law and any other applicable laws, regulations or ministerial guidelines of Japan.

### 7.6 ***Other jurisdictions***

The Shares have not been and will not be registered under the applicable securities laws of the Republic of South Africa or New Zealand. Subject to certain exceptions, the Shares may not be offered or sold in the Republic of South Africa or New Zealand or to or for the account or benefit of any resident of the Republic of South Africa or New Zealand.

## PART 13

### TAXATION

*The following statements are only a general guide to certain United Kingdom tax considerations relating to an investment in the Shares. It assumes that the Company is and remains resident for applicable tax purposes solely in the United Kingdom.*

*The statements set out below are based on current UK law and published HMRC practice (which is not generally binding on HMRC), as at the date of this Prospectus, and which may be subject to change, possibly with retrospective effect. They are intended as a general guide and, unless expressed otherwise, apply only to Shareholders resident and, in the case of an individual, domiciled for tax purposes in (and only in) the United Kingdom (except insofar as express reference is made to the treatment of non-UK residents), who do not have a permanent establishment or a fixed base outside the United Kingdom with which the holding of shares is connected, who hold the Shares as an investment (and the Shares are not held through an Individual Savings Account, Self-Invested Personal Pension or any other investment vehicle) and who are the absolute beneficial owners of them. The discussion does not address all possible tax consequences relating to an investment in the Shares. Certain categories of Shareholders, including personal representatives, trustees, those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs or exemptions, those connected with the Company and those for whom the Shares are employment-related securities, may be subject to special rules and this summary does not apply to such Shareholders.*

*Shareholders or prospective Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately. The information in these paragraphs is intended as a general summary of the UK tax position and should not be construed as constituting advice.*

#### **1. Taxation of Dividends**

The Company will not be required to withhold amounts on account of UK tax at source when paying a dividend.

A UK resident individual Shareholder who receives a dividend from the Company in respect of their Shares will be entitled to a tax credit which may be set off against the Shareholder's total income tax liability. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"). A UK resident individual Shareholder will generally be taxable on the gross dividend, which will be regarded as the top slice of the Shareholder's income.

An individual Shareholder who is liable to income tax only at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend.

To the extent that the individual Shareholder's income (including the gross dividend) exceeds the threshold for higher rate income tax, such Shareholder will be subject to income tax on the gross dividend at 32.5 per cent. but will be able to set the tax credit off against this liability. Such Shareholder will therefore have to account for additional income tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the dividend received). To the extent that the gross dividend, when treated as the top slice of the Shareholder's income, falls above the threshold for higher rate tax, such Shareholder will be subject to income tax on the gross dividend at 37.5 per cent. but will be able to set the tax credit off against this liability. Such Shareholder will therefore have to account for additional income tax equal to 27.5 per cent. of the gross dividend (which is also equal to approximately 30.6 per cent. of the dividend received) to the extent that the gross dividend, when treated as the top slice of the Shareholder's income, falls above the threshold for additional rate tax.

A UK resident individual Shareholder who is not liable to income tax in respect of the gross dividend and other UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and



charities, will not generally be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Corporate Shareholders that are within the charge to corporation tax will be subject to corporation tax on dividends paid by the Company, unless (subject to special rules for such Shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each Shareholder's position will depend on its own individual circumstances, although it would normally be expected that the dividends paid by the Company would fall within an exempt class. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules. Corporate Shareholders are not entitled to tax credits attaching to dividends.

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company, although this will depend on the existence and terms of any double taxation convention between the United Kingdom and the country in which such Shareholder is resident. A Shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the United Kingdom should obtain their own tax advice concerning tax liabilities on dividends received from the Company, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

## **2. Taxation of Capital Gains**

### **2.1 *UK resident individual Shareholders***

For a UK resident individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Shares may give rise to a capital gain or capital loss for capital gains tax purposes. Subject to available reliefs or allowances, gains arising on a disposal of Shares by an individual UK resident Shareholder will be taxed at the rate of 18 per cent. except to the extent that the gain, when it is added to the Shareholder's other taxable income and gains in the relevant tax year, exceeds the upper limit of the income tax basic rate band (£31,865 for the 2014/15 tax year), in which case it will be taxed at the rate of 28 per cent.

The capital gains tax annual exemption (£11,000 for the 2014/15 tax year) may be available to individual Shareholders (to the extent it has not already been utilised) to offset against chargeable gains realised on a disposal of their Shares.

### **2.2 *UK resident corporate Shareholders***

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Shares may give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax.

Corporation tax is charged on chargeable gains at the corporation tax rate applicable to that corporate Shareholder, subject to any available exemption or relief. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax. Indexation allowance may not create or increase any allowable loss.

### **2.3 *Shareholders not resident in the United Kingdom***

An individual Shareholder who acquired Shares while UK resident and for a period of five years or less either has ceased to be resident for tax purposes in the United Kingdom or has become resident in a territory outside the United Kingdom for the purposes of double taxation relief arrangements and who disposes of the Shares during that time, may be liable on his or her return to the United Kingdom to UK capital gains tax on any chargeable gain realised on the disposal of the Shares.

Shareholders who are not resident in the United Kingdom and, in the case of an individual Shareholder, not temporarily non-resident, will not be liable for UK tax on capital gains realised on a sale or other disposal of their Shares unless such Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the United Kingdom through a branch or agency or, in the case of a corporate Shareholder, through a permanent establishment.

Shareholders who are not resident in the United Kingdom may be subject to foreign taxation on any gain under local law. Shareholders who are not resident for tax purposes in the United Kingdom should obtain their own tax advice concerning tax liabilities on any disposals or deemed disposals of Shares.

### **3. Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

The statements in this section are intended as a general guide to the current UK stamp duty and SDRT position. Shareholders should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

#### **3.1 *The Offer***

In relation to the New Shares being issued by the Company, no stamp duty or SDRT will arise on the issue of such New Shares in registered form by the Company.

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply), the transfer of, or agreement to transfer, Existing Shares sold by the Selling Shareholders under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5 per cent. of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

The Selling Shareholders will meet any liability to stamp duty and/or SDRT of initial purchasers of Existing Shares pursuant to the Offer at the normal rate that will arise on such sale under the Offer.

#### **3.2 *Subsequent transfers***

An agreement to transfer Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser.

Instruments transferring Shares will generally be subject to stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer (rounded up to the next £5). The purchaser normally pays the stamp duty. As noted above, an exemption from stamp duty is available on an instrument transferring the Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

If a duly stamped transfer completing an agreement to transfer is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional), any SDRT paid is generally repayable, normally with interest, and otherwise the SDRT charge is cancelled.

#### **3.3 *CREST***

Paperless transfers of Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of Shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

#### **3.4 *Depositary receipt systems and clearance services***

Following litigation, HMRC has confirmed that 1.5 per cent. SDRT is no longer payable when new shares are issued to a clearance service or depositary receipt system. HMRC’s view is that the



1.5 per cent. stamp duty or SDRT charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. This view is being challenged in further litigation.

Consequently and subject to the outcome of the litigation on this charge, where Shares are transferred (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the Shares. Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise, will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer on sale of Shares into such an account and on subsequent agreements to transfer such Shares within such account.

Given the ongoing litigation in this area, it may be appropriate to seek specific professional advice before payment of a 1.5 per cent. stamp duty or SDRT charge.

**Any person who is in any doubt as to his or her taxation position or who is liable to taxation in any jurisdiction other than the United Kingdom should consult his or her professional advisers.**

## PART 14

### ADDITIONAL INFORMATION

#### 1. Responsibility statement

The Company and the Directors accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

#### 2. History and development

- 2.1 The Company was incorporated and registered in England and Wales on 28 January 2015 as a public company limited by shares under the Companies Act 2006 with the name “Lime Newco PLC” and with the registered number 9411297.
- 2.2 The Company’s registered office is at 1 King George Close, Romford, Essex RM7 7LS. The Company’s telephone number is +44 (0) 1708 758 800.
- 2.3 The principal laws and legislation under which the Company operates and the Shares have been created are the Companies Act and regulations made under that Act.
- 2.4 The business of the Company, and its principal activity, is to act as the holding company of the companies listed in paragraph 16 below.
- 2.5 The Company’s name was changed to “Lakehouse plc” on 11 February 2015.

#### 3. Share capital

- 3.1 On incorporation, 158 ordinary shares of £317.25 each were allotted and issued, fully paid, as subscriber shares to Alan Cox (the “Subscriber Shares”).
- 3.2 On 5 January 2015, Lakehouse Holdings allotted and issued 828 Lakehouse Holdings A Ordinary Shares to certain employees and optionholders. Immediately prior to the share-for-share exchange pursuant to the Share-for-Share Exchange Agreement referred to at paragraph 3.4 below coming into effect, Lakehouse Holdings allotted and issued 5,000 Lakehouse Holdings Ordinary Shares, 3,239 Lakehouse Holdings A Ordinary Shares and 1,498,868 Lakehouse Holdings D2 Ordinary Shares to certain holders of Pre-IPO Options pursuant to the exercise of such options.
- 3.3 As at the date of this Prospectus, the issued share capital of Lakehouse Holdings, all of which was fully paid up and held by the Company, is as follows:

<i>Number</i>	<i>Class</i>	<i>Nominal Amount (£)</i>
20,620	Lakehouse Holdings Ordinary Shares	206.20
5,436	Lakehouse Holdings A Ordinary Shares	54.36
3,180	Lakehouse Holdings B Ordinary Shares	47.70
100	Lakehouse Holdings C Ordinary Shares	1.50
5,380,000	Lakehouse Holdings D1 Ordinary Shares	68.64
1,498,868	Lakehouse Holdings D2 Ordinary Shares	0.15
2,000	Lakehouse Holdings E Ordinary Shares	30.00

- 3.4 On 13 February 2015 and 17 March 2015, in connection with the Pre-IPO Reorganisation, the Company and Lakehouse Holdings shareholders (either personally or by duly appointed attorneys) entered into the Share-for-Share Exchange Agreement (completion being conditional upon the Lakehouse Directors resolving to proceed with an IPO pursuant to the relevant provisions of the Intermediate Articles adopted pursuant to the resolutions referred to at paragraph 3.5 below) pursuant to which each of the Lakehouse Holdings shareholders agreed to sell their entire holdings of

Lakehouse Holdings Ordinary Shares, Lakehouse Holdings A Ordinary Shares, Lakehouse Holdings B Ordinary Shares, Lakehouse Holdings C Ordinary Shares, Lakehouse Holdings D1 Ordinary Shares, Lakehouse Holdings D2 Ordinary Shares and Lakehouse Holdings E Ordinary Shares in consideration for the issue to them of a corresponding number of Ordinary Shares, A Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D1 Ordinary Shares, D2 Ordinary Shares and E Ordinary Shares.

- 3.5 By resolutions passed on 13 February 2015 and 17 March 2015 in connection with the Pre-IPO Reorganisation, it was resolved that:

3.5.1 the Company adopt and amend, respectively, the Intermediate Articles in connection with its entry into the Share-for-Share Exchange Agreement and the Pre-IPO Reorganisation;

3.5.2 the Directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act to exercise all or any powers of the Company to allot the relevant numbers of Ordinary Shares, A Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D1 Ordinary Shares, D2 Ordinary Shares and E Ordinary Shares or grant rights to subscribe for or to convert any security into Ordinary Shares, A Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D1 Ordinary Shares, D2 Ordinary Shares and E Ordinary Shares (as the case may be) up to an aggregate nominal amount equal to £12,392,277.80; and

3.5.3 the subscriber shares be re-designated as B Ordinary Shares.

- 3.6 On 17 March 2015, a deed of amendment relating to the Share-for-Share Exchange Agreement entered into on 13 February 2015 was entered into.

- 3.7 By resolutions passed on 17 March 2015, the Lakehouse Directors resolved to proceed with the IPO and the Placing and to convene a general meeting of Lakehouse on 17 March 2015 at which the following resolutions in connection the Pre-IPO Reorganisation were passed:

3.7.1 that all of the Ordinary Shares be converted, sub-divided and/or consolidated into 7,272,706 Intermediate Shares and 7,672 Deferred Shares;

3.7.2 that all of the A Ordinary Shares be converted, sub-divided and/or consolidated into 1,917,103 Intermediate Shares and 5,310 Deferred Shares;

3.7.3 that all of the B Ordinary Shares be converted, sub-divided and/or consolidated into 1,120,940 Intermediate Shares and 180 Deferred Shares;

3.7.4 that all of the C Ordinary Shares be converted, sub-divided and/or consolidated into 7,510 Intermediate Shares and 193,320 Deferred Shares;

3.7.5 that all of the D1 Ordinary Shares be converted, sub-divided and/or consolidated into 2,690,000 Intermediate Shares;

3.7.6 that all of the D2 Ordinary Shares be converted, sub-divided and/or consolidated into 749,434 Intermediate Shares; and

3.7.7 that all of the E Ordinary Shares be converted, sub-divided and/or consolidated into 600 Deferred Shares,

in each case, so as to give the relevant Shareholder such proportion of the Intermediate Shares (with fractional entitlements rounded down to the nearest whole number) in issue from the point of the Lakehouse Directors' resolution referred to above which would correspond to the proportion of the Generated Value (as defined in the Intermediate Articles) that the relevant Shareholder would have received had there at that time been a Liquidation (as defined in the Intermediate Articles) which gave rise to the same amount of Generated Value and such number of Deferred Shares as shall be necessary to ensure that the nominal value of Shares held by such Shareholder prior to such conversion, sub-division and/or consolidation (as the case may

- be) equals the nominal value of the Shares and Deferred Shares held following such conversion, sub-division and/or consolidation;
- 3.7.8 following the conversions, sub-divisions and/or consolidations referred to above, the Articles are adopted in substitution for, and to the exclusion of, the Intermediate Articles;
- 3.7.9 that each Intermediate Share be sub-divided into nine Shares;
- 3.7.10 that the Company Secretary be appointed by the Company pursuant to Article 4 of the Articles to execute on behalf of all the holders of the Deferred Shares a transfer thereof in favour of the Company for nil consideration, such Deferred Shares to be held by the Company Secretary as nominee and custodian for and on behalf of the Company and that such Deferred Shares be cancelled by the Company and its share capital diminished by the aggregate nominal amount of the Deferred Shares so cancelled;
- 3.7.11 that the Directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act to exercise all or any powers of the Company to allot Shares or grant rights to subscribe for or to convert any security into a Share (i) up to an aggregate nominal amount equal to £3,370,786.60 in connection with the Offer; (ii) following Admission, up to an aggregate nominal amount equal to £5,250,903.43 (being equivalent to one third of the nominal value of the issued share capital of the Company on Admission); and (iii) following Admission and in connection with a pre-emptive offer, up to an aggregate nominal amount equal to £10,501,806.86 (being equivalent to a further one third of the nominal value of the issued share capital of the Company on Admission), such authorities to expire (unless previously revoked, varied or renewed) on the earlier of the date of the annual general meeting of the Company in 2015 and the date 15 months after the date of the resolution, save for the authority referred to at (i) above, which shall expire on 31 March 2015 (save that the Company may before the expiry of such period make an offer or agreement which would or might require Shares to be allotted or rights to be granted to subscribe for or convert any security into a Share, after expiry of these authorities, and the Directors may allot the Shares or grant rights to subscribe for or convert any security into a Share in pursuance of such offer or agreement as if the authorisations conferred by this resolution had not expired);
- 3.7.12 the Directors be empowered to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash, in substitution for all prior powers conferred upon the Board, but without prejudice to any allotments made pursuant to the terms of such powers, as if section 561(1) of the Companies Act did not apply to any such allotment:
- 3.7.12.1 pursuant to the authority granted as described in paragraph 3.7.11(i) above;
- 3.7.12.2 pursuant to the authority granted as described in paragraph 3.7.11(ii) above;
- 3.7.12.3 pursuant to the authority granted as described in paragraph 3.7.11(iii) above in connection with a pre-emptive offer; and
- 3.7.12.4 up to an aggregate nominal amount equal to £787,635.52 (being equivalent to five per cent. of the nominal value of the issued share capital of the Company on Admission),
- provided always that such powers shall expire (unless previously revoked, varied or renewed) on the earlier of the date of the annual general meeting of the Company in 2015 and on the date 15 months after the passing of such resolution (save that the Company may before the expiry of such period make an offer or agreement which would or might require Shares to be allotted or rights to be granted after expiry of these powers and the Directors may allot the Shares or grant rights to subscribe for or convert any security into a Share in pursuance of such offer or agreement as if the powers conferred by this resolution had not expired). For the purposes of this paragraph 3.7, a “pre-emptive offer” means an offer of equity securities open for acceptances for a period fixed by the Directors to holders (other than the Company) on the register on a record date fixed by the Directors of Shares in proportion to their respective

holdings but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory;

3.7.13 conditional upon Admission, the Directors be authorised to make market purchases of Shares pursuant to section 701 of the Companies Act, subject to the following conditions:

3.7.13.1 the maximum number of Shares authorised to be purchased may not be more than 23,613,312 (being equivalent to 14.99 per cent. of the number of shares comprised in the issued share capital of the Company on Admission);

3.7.13.2 the minimum price which may be paid for a Share is £0.10, being the nominal value of a Share;

3.7.13.3 the maximum price which may be paid for a Share shall be the higher of: (1) an amount equal to 105 per cent. of the average of the middle market quotations of a Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which a Share is contracted to be purchased; and (2) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System ("SETS") as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy-back programmes and stabilisation of financial instruments (No 2273/2003);

3.7.13.4 the authority shall expire on the earlier of the date of the next annual general meeting of the Company and 15 months after the date of passing of such resolution; and

3.7.13.5 a contract to purchase Shares under this authority may be made prior to the expiry of this authority, and concluded in whole or in part after expiry of this authority; and

3.7.14 subject to the adoption of the Articles of Association as referred to in paragraph 3.7.8 above and pursuant to the Companies (Shareholders' Rights) Regulations 2009 SI 2009/1632, a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.

3.8 Immediately following the Pre-IPO Reorganisation, the issued share capital of the Company, all of which was fully paid up, is set out below:

<i>Number</i>	<i>Class</i>	<i>Nominal Amount (£)</i>
123,819,237	ordinary shares of £0.10 each	12,381,923.70

3.9 It is intended that options will be granted pursuant to the CSOP within six weeks following Admission over Shares with an aggregate market value of approximately £500,000. These options may be satisfied by the Company using newly issued Shares or by the trustee of the EBT using Shares which it may have acquired by way of subscription.

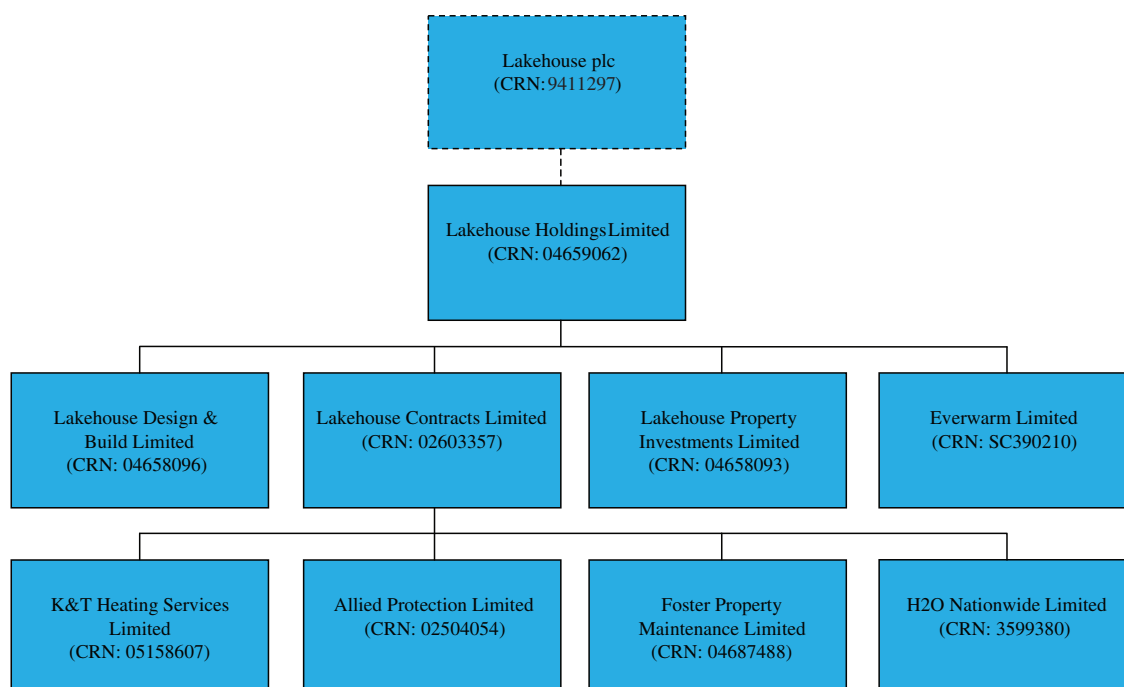
3.10 It is intended that awards will be granted pursuant to the PSP on or prior to Admission over Shares with an aggregate market value of approximately £1,587,900. These awards may be satisfied by the trustee of the EBT using Shares which the trustee of the EBT has acquired by way of subscription from the Company or by way of market purchase or may be satisfied by the Company issuing Shares directly to the holders of the awards.

3.11 It is intended that Free Share awards (as such term is defined in paragraph 11.3 of this Part 14) will be made within six weeks following Admission. Such Free Shares may be acquired by the SIP Trust (as such term is defined in paragraph 11.3 of this Part 14) by way of subscription from the Company or by way of market purchase.

- 3.12 The Company does not intend to grant any awards pursuant to the DSBP or any options under the SAYE Scheme until after the announcement of its interim or annual results following Admission.
- 3.13 Save as disclosed in this paragraph 3 of this Part 14:
- 3.13.1 no share or loan capital of the Company or any other member of the Group has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
- 3.13.2 there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any other member of the Group (other than intra-group issues by wholly-owned subsidiaries and pursuant to the Pre-IPO Reorganisation) within three years of the date of this Prospectus;
- 3.13.3 save in connection with the Offer, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of any such company; and
- 3.13.4 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 3.14 The Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of Shares for cash. The provisions of section 561(1) of the Companies Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Companies Act) apply to the unissued share capital of the Company (in respect of which the Directors have authority to make allotments pursuant to section 551 of the Companies Act as referred to in paragraph 3.7.11 above), except to the extent such provisions have been disapplied as referred to in paragraph 3.7.12 above.
- 3.15 The Directors fully intend to comply with the guidelines on "Directors' Powers to Allot Share Capital and Disapply Shareholders' Pre-Emption Rights" as published by the Association of British Insurers.
- 3.16 As at 17 March 2015, being the latest practicable date prior to the publication of this Prospectus, the Company did not hold any Shares in treasury.
- 3.17 There are no present plans to undertake a rights issue or to allot new Shares other than in connection with the Offer or under the Share Incentive Schemes, as set out in this paragraph 3.
- 3.18 The issued share capital of the Company, all of which will be fully paid up, as it will be immediately following Admission, is as follows:
- | <i>Number</i> | <i>Class</i>                  | <i>Nominal Amount (£)</i> |
|---------------|-------------------------------|---------------------------|
| 157,527,103   | ordinary shares of £0.10 each | 15,752,710.30             |
- 3.19 The Company has no convertible securities, exchangeable securities or securities with warrants in issue.

## 4. Group Structure

- 4.1 The diagram below sets out the Group structure as at the date of this Prospectus and as it will be at Admission.



## 5. Articles of Association

- 5.1 The Articles, which were adopted by virtue of a special resolution of the Company on 17 March 2015, contain certain provisions, the material provisions of which are set out below. This is a description of significant rights and does not purport to be complete or exhaustive.

### 5.1.1 Voting rights

Subject to paragraph 5.1.6 below, and to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member who (being an individual) is present in person or by proxy (being a corporation) is present by a duly appointed representative shall have one vote and on a poll every member present in person or a representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

### 5.1.2 Variation of rights

If at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares (excluding any shares of that class held as treasury shares) of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

### 5.1.3 Alteration of capital

The Company may, by ordinary resolution, increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.



The Company may, subject to the Companies Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Companies Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

#### 5.1.4 *Transfer of shares*

A member may transfer all or any of his shares (1) in the case of certificated shares, by instrument in writing in any usual or common form or in such other form as may be approved by the Directors; and (2) in the case of uncertificated shares, through CREST in requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee. The Directors may in their absolute discretion refuse to register a transfer of any share held in certificated form which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. In the case of uncertificated shares, the Directors may only refuse to register a transfer in accordance with the Uncertificated Securities Regulations. the Directors may also refuse to register a transfer of shares (whether fully paid or not) if the transfer is in favour of more than four persons jointly. Subject to that and to paragraph 5.1.6 below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

#### 5.1.5 *Dividends*

5.1.5.1 The Company may, by ordinary resolution, in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Directors. The Directors may, from time to time, pay such interim dividends as appear to the Directors to be justified.

5.1.5.2 Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph 5.1.6 below, all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

5.1.5.3 All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors so resolve be forfeited and shall revert to the Company.

5.1.5.4 The Directors may, if authorised by an ordinary resolution of the Company, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend. The Directors may at their discretion make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

#### 5.1.6 *Suspension of rights*

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the Companies Act and is in default in supplying to the Company within 14 days (or such longer period as may be specified in such notice) the information thereby, required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings

of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class (calculated exclusive of any treasury shares of that class), the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arms length sale.

#### *5.1.7 Return of capital*

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Shares are entitled to share in any surplus assets pro rata to the amount paid up on their Shares. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator with the sanction of a special resolution may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

#### *5.1.8 Deferred Shares*

The Deferred Shares do not give any entitlement to receive a dividend, distribution, return of capital, share certificate and notice of a general meeting nor do they give their holders the right to attend, speak or vote at general meetings or participate in the assets of the Company. The Deferred Shares may not be transferred without the prior written consent of the Directors. The Company may acquire all or any of the Deferred Shares in issue at any time for no consideration. Pending such acquisition, each holder of the Deferred Share(s) shall be deemed to have irrevocably authorised the Company to appoint any person to execute (on behalf of the holder of the Deferred Share(s)) a transfer thereof and/or an agreement to transfer the same to the Company or to such person(s) as the Company may determine as custodian thereof.

#### *5.1.9 Pre-emption rights*

There are no rights of pre-emption under the Articles in respect of transfers of issued Shares.

In certain circumstances, Shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to Shareholders.

#### *5.1.10 Shareholder Meetings*

Annual general meetings should be held within the time periods specified by the Companies Act. Other general meetings may be called whenever the Directors think fit or when one has been requisitioned in accordance with the Companies Act. Two members present in person or by proxy (or being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings, or a meeting at which it is proposed to pass a resolution requiring special notice, are called on at least 21 days' notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other general meetings are to be called on 14 days' notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. Notice is to be given to all members on the register at the close of business on a day determined by the Company, such day being not more than 21 days before the day that the notice of meeting is sent.

The Company may specify in the notice of meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote or a person nominated pursuant to the Company's Articles is entitled to appoint one or more proxies to attend and vote instead of him/her and that a proxy need not be a member.

#### 5.1.11 *Directors*

Save as provided in the Articles or by the terms of any authorisation given by the Directors, a Director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he (or a person connected with him) has any interest which (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company) and which conflicts or may conflict with the interests of the Company and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

The Directors may authorise a Director to be involved in a situation in which the Director has, or may have, a direct or indirect interest which conflicts, or may conflict, with the interests of the Company and may impose such terms or conditions on the grant of such authorisation as they think fit and, in doing so, will act in such a way, in good faith, as they consider will be most likely to promote the success of the Company.

A Director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters, namely:

- 5.1.11.1 the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request, or for the benefit, of the Company or any of its subsidiary undertakings; or
- 5.1.11.2 the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- 5.1.11.3 the granting of any indemnity or provision of funding pursuant to the Company's articles of association unless the terms of such arrangement confer upon such director a benefit not generally available to any other director; or
- 5.1.11.4 an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter; or
- 5.1.11.5 any other company in which he or any person connected with him has a direct or indirect interest (whether as an officer or shareholder or otherwise) provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings of or beneficially interested in one per cent., or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of the relevant Article to be a material interest in all circumstances); or
- 5.1.11.6 an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or

5.1.11.7 the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

Fees may be paid out of the funds of the Company to Directors who are not managing or executive Directors at such rates as the Directors may from time to time determine provided that such fees do not, in the aggregate, exceed the sum of £500,000 per annum (exclusive of value added tax, if applicable) or such other figure as the Company may, by ordinary resolution from time to time, determine.

Any Director who devotes special attention to the business of the Company, or otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a director, may be paid such additional remuneration as the Directors, or any committee authorised by the Directors, may determine.

The Directors (including alternate Directors) are entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

A director may hold any other office or employment with the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director, or intended Director, shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company, either with regard to his tenure of any other such office or place of profit, nor shall any such contract, arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by, or on behalf of, the Company in which any Director, or any person connected with him, is in any way interested (whether directly or indirectly) be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established if the Director has disclosed his interest in accordance with the Companies Act.

Save as provided by the Articles or by the terms of authorisation given by the Directors, a Director shall not vote as a director or be counted in the quorum in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement in which he has any interest which conflicts, or may conflict, with the interests of the Company. If he does vote, his vote shall not be counted.

The remuneration and other terms and conditions of appointment of a Director appointed as managing Director or to any other executive office or employment under the Company shall, from time to time (without prejudice to the provisions of any agreement between him and the Company), be fixed by the Directors, or by any committee appointed by the Directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

Any statutory provision which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company.

#### 5.1.12 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party provided that the Board shall restrict the borrowings of the Company, and exercise all powers of control exercisable by the Company in relation to its subsidiaries, so as to ensure (in relation to its subsidiaries so far as the Board is able) that the aggregate amount for the time being of all borrowings by the Group (excluding any money owed between members of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the higher of: (1) three times the adjusted capital and reserves of the Company; and (2) £150 million.

These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the Shareholders.

### **6. Notification of major holdings of Shares**

Whilst disclosure of shareholdings is not a requirement of the Articles, Chapter 5 of the Disclosure and Transparency Rules makes provision regarding notification of certain shareholdings and holdings of financial instruments.

Where a person holds voting rights in the Company as shareholder or through direct or indirect holdings of financial instruments, then the person has an obligation to make a notification to the FCA and the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below three per cent. or any whole percentage figure above three per cent.

The requirement to notify also applies where a person is an indirect Shareholder and can acquire, dispose of or exercise voting rights in certain cases.

### **7. Directors', Senior Management's and other interests**

- 7.1 The Directors and members of Senior Management, their functions within the Group and brief biographies are set out in Part 6 (Directors, Senior Management and Corporate Governance).
- 7.2 Each of the Directors can be contacted at the Company's head office address at 1 King George Close, Romford, Essex RM7 7LS.
- 7.3 As at 17 March 2015, being the latest practicable date prior to the date of this Prospectus, no Director or member of Senior Management (or persons connected with them) had any interest (beneficial or otherwise) in the share capital of the Company, save as set out in paragraphs 7.4 and 7.5 below.

- 7.4 The table below sets out certain interests of the Directors and Senior Management (and of persons connected with them) in the share capital of the Company (all of which, unless otherwise stated, are beneficial) as they are expected to be immediately following Admission:

<i>Name</i>	<i>At the date of this Prospectus</i>			<i>Immediately following Admission</i>		
	<i>No. of Shares</i>	<i>% of issued Share capital</i>	<i>% of voting rights</i>	<i>No. of Shares</i>	<i>% of issued Share capital</i>	<i>% of voting rights</i>
<i>Director</i>						
Stuart Black	6,829,605	5.52	5.52	5,463,684	3.47	3.47
Sean Birrane	5,918,355	4.78	4.78	4,734,684	3.01	3.01
Jeremy Simpson	333,270	0.27	0.27	271,616	0.17	0.17
Michael McMahon	9,684,000	7.82	7.82	7,892,460	5.01	5.01
Chris Geoghegan	–	–	–	56,179	0.04	0.04
Jill Ainscough	–	–	–	–	–	–
Johnathan Ford	–	–	–	33,707	0.02	0.02
<i>Member of Senior Management</i>						
Carol Bailey	317,403	0.26	0.26	253,923	0.16	0.16
Dean Ball	5,004,261	4.04	4.04	4,003,409	2.54	2.54
Jamie Dawson	317,403	0.26	0.26	253,923	0.16	0.16
Steve Foster	317,403	0.26	0.26	253,923	0.16	0.16
David Greenfield	317,403	0.26	0.26	253,923	0.16	0.16
Simon Howell	333,270	0.27	0.27	266,616	0.17	0.17
John Lewthwaite	317,403	0.26	0.26	253,923	0.16	0.16
Gail Shadlock	317,403	0.26	0.26	253,923	0.16	0.16
Phil Tidmarsh	444,366	0.36	0.36	355,493	0.23	0.23

Save as set out in this paragraph 7.4 and paragraph 7.5 below, none of the Directors has, or will have on Admission, any interests in the share or loan capital of the Company or any of its subsidiaries.

- 7.5 It is intended that the following awards over Shares will be granted to Directors and Senior Management on or shortly prior to Admission pursuant to the PSP:

<i>Name</i>	<i>Maximum value of Shares to be placed under award<sup>(1)</sup></i>	<i>Earliest Vesting Date</i>
Stuart Black	£230,000	Third anniversary of the date of grant
Sean Birrane	£300,000	Third anniversary of the date of grant
Jeremy Simpson	£260,000	Third anniversary of the date of grant
Michael McMahon	£200,000	Third anniversary of the date of grant
Carol Bailey	£57,400	Third anniversary of the date of grant
Dean Ball	£57,400	Third anniversary of the date of grant
Jamie Dawson	£51,100	Third anniversary of the date of grant
Steven Foster	£45,850	Third anniversary of the date of grant
David Greenfield	£51,100	Third anniversary of the date of grant
Simon Howell	£83,500	Third anniversary of the date of grant
John Lewthwaite	£50,400	Third anniversary of the date of grant
Gail Shadlock	£55,650	Third anniversary of the date of grant
Philip Tidmarsh	£59,500	Third anniversary of the date of grant

**Note:**

(1) The actual number of Shares to be placed under award will be calculated by reference to the Offer Price.



Each of the Executive Directors and the Senior Management will be eligible to participate in the SIP and will receive an award of Free Shares (as such term is defined in paragraph 11.3 of Part 14 (Additional Information) of this Prospectus) shortly after Admission on the same basis as every other eligible employee. Each of the Executive Directors and the Senior Management will, following Admission, also be eligible to participate in the SAYE Scheme, the CSOP and the DSBP.

- 7.6 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Company in the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 7.7 Save as set out below, as at 17 March 2015, being the latest practicable date prior to the date of this Prospectus, there were no outstanding loans granted by any member of the Group to any Director or member of Senior Management, nor by any Director or member of Senior Management to any member of the Group, nor was any guarantee which had been provided by any member of the Group for the benefit of any Director or member of Senior Management, or by any Director or member of Senior Management for the benefit of any member of the Group, outstanding:

<i>Name of Director/Member of Senior Management</i>	<i>Group Member providing loan</i>	<i>Amount outstanding</i>
Philip Tidmarsh	Lakehouse Contracts	£30,354.12
Jeremy Simpson	Lakehouse Contracts	£46,943.24
Simon Howell	Lakehouse Contracts	£46,933.94

The above loans were provided to the relevant Directors and members of Senior Management for the purposes of putting them in funds to pay the subscription price to acquire shares in Lakehouse Holdings and to settle the income tax and employee's national insurance contribution liabilities which arose as a result of the acquisition of such shares. The loans, which are interest free, are all on the same terms and will become repayable on Admission. It is expected that the relevant Directors and members of Senior Management will use the proceeds of the sale of their Shares pursuant to the Placing to repay the loans as soon as reasonably practicable following Admission. In addition, the following amounts are due from, but, as at the date of this Prospectus, unpaid by, certain Directors and members of Senior Management on shares in the capital of Lakehouse Holdings held by them prior to completion of the Pre-IPO Reorganisation. Each of the Directors and Senior Managers referred to below has entered into an undertaking pursuant to which they have agreed to pay up the outstanding amounts referred to below on such shares from the proceeds received by them from the sale of their Existing Shares in the Offer:

<i>Name of Director/Member of Senior Management</i>	<i>Amount to be paid up</i>
Stuart Black	£91,839
Carol Bailey	£28,400
Jamie Dawson	£28,400
Steven Foster	£28,400
David Greenfield	£28,400
John Lewthwaite	£28,400
Gail Shadlock	£28,400

- 7.8 The companies and partnerships of which the Directors and members of Senior Management are, or have been, within the past five years, members of the administrative, management or supervisory bodies or partners (excluding the Company and its Subsidiaries) are as follows:



<i>Name of Director/Member of Senior Management Director</i>	<i>Current or former Directorships/ Partnerships</i>	<i>Position still held (Y/N)</i>
Stuart Black	APT Controls Limited	N
	Chapco Group Limited	N
	ENSCO 969 Limited	N
	Sahsof Limited	Y
	Strategic Team Group Limited	N
	TCL Group Limited	N
	Wigmore Acquisitions Limited	N
Jeremy Simpson	Atlas Clensol Limited	N
	Caird Evered Holdings Limited	N
	Caird Evered Limited	N
	Caird Peckfield Limited	N
	Elwa Limited	N
	Elwa Holdings Limited	N
	Energen Biogas Limited	N
	Estech Europe Limited	N
	Geohess (U.K.) Limited	Y
	Lothian Limited	N
	Resource Recovery Solutions (Derbyshire) Holdings Limited	N
	Resource Recovery Solutions (Derbyshire) Limited	N
	Safewaste Limited	N
	Shanks Argyll & Bute Limited	N
	Shanks Argyll & Bute Holdings Limited	N
	Shanks Chemical Services (Scotland) Limited	N
	Shanks Chemical Services Limited	N
	Shanks Cumbria Holdings Limited	N
	Shanks Cumbria Limited	N
	Shanks Dumfries and Galloway Holdings Limited	N
	Shanks Dumfries and Galloway Limited	N
	Shanks Environmental Engineering Limited	N
	Shanks PFI Investments Limited	N
	Shanks RRS Limited	N
	Shanks SRF Trading Limited	N
	Shanks Waste Management Limited	N
	Shanks Waste Operations Limited	N
	Tass Environmental Technology Limited	N
	Wastecom Limited	N
	3SE (Barnsley, Doncaster & Rotherham) Limited	N
	Wakefield Waste PFI Holdings Limited	N
	Wakefield Waste PFI Limited	N

<i>Name of Director/Member of Senior Management Director</i>	<i>Current or former Directorships/ Partnerships</i>	<i>Position still held (Y/N)</i>
Michael McMahon	Carillion Contract Services East Limited	N
	Carillion Contract Services Limited	N
	Carillion Energy Services Scotland Limited	N
	Carillion Home Services Limited	N
	Eaga Energy Solutions Limited	N
	Fibreglo (Insulations) Limited	N
	Horrocks Group plc	Y
	Insulation Direct Services Limited	N
	Insu-Build Direct Limited	N
	JD Heating Limited	N
	Mico Services Limited	N
	Millfold Group Limited	Y
	MMCM Enterprises Limited	Y
	MMCM Services Limited	N
	MMCM Midlands Limited	N
	Options (Scotland) Limited	N
	Permarock Products Limited	N
	Permarock Structural Chemicals Limited	N
	Renewable Clean Energy Limited	N
	Resin Polymer Applications Limited	N
	WarmSure Limited	N
Chris Geoghegan	Camelot UK Consulting Limited	Y
	e2v technologies plc	N
	Hampson Industries p.l.c.	N
	Kier Group plc	N
	SIG plc	Y
	Volex plc	N
Jill Ainscough	BMJ	Y
	Ofcom	N
	Sport England	N
Johnathan Ford	HomeServe plc	Y
	Swan Petroleum Limited	N
Jamie Dawson	Alex Lloyd LLP	Y
	Alex Lloyd Properties LLP	N
Steve Foster	Foster Property Development Limited	Y
	Foster Renewable Energies Limited	Y
	Saffron Spirits Limited	Y
	The Saffron Gin Company Limited	Y
	The Saffron Spirit Company Limited	Y

<i>Name of Director/Member of Senior Management</i>	<i>Current or former Directorships/Partnerships</i>	<i>Position still held (Y/N)</i>
David Greenfield	Condensing Gas Services Limited	Y
Simon Howell	SJH Pension Trustees Limited	Y
	Co Sec Solutions Limited	N
	Soothing Balm Limited	N
John Lewthwaite	TTRIG Assist Ltd	N
Gail Shadlock	Thera Trust	N
	Thera East Midlands	N
	Thera North	N
	Gail Shadlock Associates Limited	N
7.9	Save as set out in paragraph 7.8 above, none of the Directors or members of Senior Management has any business interests, or performs any activities, outside the Group which are significant with respect to the Group.	
7.10	The Company and the Directors are not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company.	
7.11	Save as set out in this paragraph 7.11, as at the date of this Prospectus, none of the Directors or members of Senior Management has at any time within the last five years:	
	7.11.1 had any convictions in relation to fraudulent offences;	
	7.11.2 been associated with any bankruptcies, receiverships or liquidations acting in the capacity of any of the positions set out against the name of the Director or member of Senior Management in paragraph 7.8 above;	
	7.11.3 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies); or	
	7.11.4 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.	
	With respect to paragraph 7.11.2 above, Stuart Black was formerly Chairman of Chapco Group Limited between 17 May 2012 and 12 June 2012. On 12 June 2012, the facilities management division of the Chapco Group Limited was put into administration.	
7.12	As at the date of this Prospectus there are:	
	7.12.1 no potential conflicts of interest between any duties to the Company of the Directors and members of Senior Management and their private interests and/or other duties; and	
	7.12.2 no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any Director or member of Senior Management was selected as a Director or member of the Senior Management (respectively).	
7.13	Save for the Company's code on dealings in securities and the lock-up arrangements described in paragraph 6 of Part 12 (Details of the Offer), there are no restrictions agreed by any Director or member of the Senior Management on the disposal within a certain time of their holdings in the Company's securities.	

## 8. Interests of significant Shareholders

- 8.1 Immediately following Admission, the following persons will be interested (directly or indirectly) in three per cent. or more of the Company's issued ordinary share capital:

<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of Total Issued Share Capital at Admission</i>
Steven Rawlings	24,409,196	15.50%
Slater Investments Limited	9,353,932	5.94%
Michael McMahon	7,892,460	5.01%
Paul King	5,951,840	3.78%
Hermes Investment Management Limited	5,617,977	3.57%
SFM UK Management LLP	5,617,977	3.57%
Stuart Black	5,463,684	3.47%
Legal & General Investment Management Limited	5,393,258	3.42%
Carol King	5,337,929	3.39%
Investec Asset Management Limited	5,337,078	3.39%
Kennedy Saunders	4,955,836	3.15%
Sean Birrane	4,734,684	3.01%
Lydia Graham	4,720,950	3.00%

- 8.2 Save as set out above, the Company is not aware of any person who has, or will immediately following Admission have, a notifiable interest of three per cent. or more of the issued share capital of the Company.
- 8.3 No Shareholder set out above has (nor will it have) different voting rights attached to the Shares it holds to those held by the other Shareholders.

## 9. Directors' service agreements, letters of appointment, remuneration and other matters

- 9.1 The Directors and their functions are set out in Part 6 (Directors, Senior Management and Corporate Governance).

- 9.2 Set out below are summary details of the Company's terms of appointment with the Executive Directors:

9.2.1 Stuart Black has entered into a service agreement with the Company dated 18 March 2015, pursuant to which he is engaged by the Company to act as Executive Chairman three days a week, subject to termination upon 12 months' notice by the Company or six months' notice from the Executive. The agreement provides for an annual salary of £230,000, a car allowance of £13,800, membership of a private medical scheme for himself and his partner and all dependent children up to 25 and for pension contributions of 15 per cent. of his salary. Executive Directors are entitled to 30 days' holiday per annum in addition to normal public holidays (pro-rated for Stuart Black). He will be entitled to participate in the PSP following its adoption by the Company (described at paragraph 11.4 below) under which he will be eligible to receive awards over Shares with an aggregate market value up to a maximum of 100 per cent. of his base salary in any financial year;

9.2.2 Sean Birrane has entered into a service agreement with the Company dated 18 March 2015, pursuant to which he is engaged by the Company to act as Chief Executive Officer, subject to termination upon 12 months' notice by the Company or six months' notice from the Executive. The agreement provides for an annual salary of £300,000, a car allowance of £18,400, a fuel card for business and reasonable private mileage, membership of a private medical scheme for himself and his partner and all dependent children up to 25 and for pension contributions of 15 per cent. of his salary. Executive Directors are entitled to 30 days' holiday per annum in addition to normal public holidays. He will be entitled to participate in the PSP following its

adoption by the Company (described at paragraph 11.4 below) under which he will be eligible to receive awards over Shares with an aggregate market value up to a maximum of 100 per cent. of his base salary in any financial year;

- 9.2.3 Jeremy Simpson has entered into a service agreement with the Company dated 18 March 2015, pursuant to which he is engaged by the Company to act as Chief Financial Officer, subject to termination upon 12 months' notice by the Company or six months' notice from the Executive. The agreement provides for an annual salary of £260,000, a car allowance of £14,000, membership of a private medical scheme for himself and his partner and all dependent children up to 25 and for pension contributions of 15 per cent. of his salary. Executive Directors are entitled to 30 days' holiday per annum in addition to normal public holidays. He will be entitled to participate in the PSP following its adoption by the Company (described at paragraph 11.4 below) under which he will be eligible to receive awards over Shares with an aggregate market value up to a maximum of 100 per cent. of his base salary in any financial year; and
- 9.2.4 Michael McMahon has entered into a service agreement with the Company dated 18 March 2015, pursuant to which he is engaged by the Company to act as an Executive Director and Managing Director, Everwarm, subject to termination upon 12 months' notice by the Company or six months' notice from the Executive. The agreement provides for an annual salary of £200,000, a car allowance of £14,000, membership of a private medical scheme for himself and his partner and all dependent children up to 25 and for pension contributions of 15 per cent. of his salary. Executive Directors are entitled to 30 days' holiday per annum in addition to normal public holidays. He will be entitled to participate in the PSP following its adoption by the Company (described at paragraph 11.4 below) under which he will be eligible to receive awards over Shares with an aggregate market value up to a maximum of 100 per cent. of his base salary in any financial year.
- 9.3 In addition to the PSP (details of which are set out at paragraph 11.4 below), the CSOP (details of which are set out in paragraph 11.1 below, the DSBP (details of which are set out in paragraph 11.5 below), the SIP (details of which are set out at paragraph 11.3 below) and the SAYE Scheme (details of which are set out at paragraph 11.2 below), the Executive Directors are eligible to participate in the Company's discretionary bonus scheme. Any bonus is discretionary and conditional on the Board being satisfied with the Executive Director's performance and no notice of termination having been served by either party. There are clawback provisions if the bonus is paid based on incorrect financial results or any prior gross misconduct becomes known to the Company.
- 9.4 Any remuneration payment to an Executive Director is subject to the approval of the Company's remuneration policy by shareholder resolution from the date such requirement applies to the Company under the Companies Act.
- 9.5 Each Executive Director is entitled to be covered by a policy of directors' and officers' insurance.
- 9.6 The Company can elect to terminate the service agreements by making a payment in lieu of notice (or remaining notice) ("PILON"), comprising (i) basic salary; (ii) employer pension contributions; (iii) car allowance; (iv) the cost to the Company of providing private medical insurance and life assurance; and (v) any other benefits in kind applicable immediately before termination, excluding any long or short term incentive plans. 50 per cent. of the PILON is paid on termination and the balance is paid after six months and is subject to mitigation (in the case of Stuart Black who works three days per week, only replacement earnings from his employment with the Company are set off against PILON instalments and not other income that he may have received in any event). Alternatively, the Company may put the Executive Director on garden leave during their notice period. The service agreement 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, commits any act of gross misconduct or serious incompetence, acts in a manner which prejudices the interests or reputation of the Company, is charged with any criminal offence or is declared bankrupt, is prohibited by law from acting as a director or resigns as a director,

is guilty of a breach of the rules of the FCA or any other applicable regulatory authority, commits any offence under the Bribery Act, becomes incapacitated from performing duties for 26 weeks, or ceases to hold any necessary qualification or approval.

- 9.7 Each of the Executive Directors' service agreements contains post-termination restrictions, including a restriction on joining a competitor of the Company for 12 months or a supplier for 12 months, as well as a restriction on soliciting or dealing with customers for 12 months. There is also a confidentiality clause and intellectual property restrictions without limit in time.
- 9.8 Set out below are summary details of the Company's terms of appointment with the Non-Executive Directors.
- 9.9 The Non-Executive Directors are, subject to shareholder approval, appointed for an initial period of three years and will stand for re-election at each Annual General Meeting of the Company. Thereafter, the Board may invite them to serve an additional period of three years again subject to re-election at each Annual General Meeting. The appointment is terminable by either party on one month's written notice. Continuation of appointment is subject to satisfactory performance and each Non-Executive Director is expected to devote sufficient time to discharge their responsibilities effectively. Reasonable expenses incurred in the proper performance of their duties will be reimbursed. Non-Executive Directors are subject to confidentiality provisions without limit in time.
- 9.10 The specific details for each Non-Executive Director are below:
- 9.10.1 the services of Christopher Geoghegan as Senior Independent Non-Executive Director and chair of the Nomination Committee are provided under the terms of a letter of appointment between the Company and Christopher Geoghegan dated 17 February 2015, conditional on Admission. The initial fee is £40,000 per annum plus £5,000 in respect of services as Senior Independent Director and £5,000 in respect of services as chair of the Nomination Committee;
- 9.10.2 the services of Jill Ainscough as a Non-Executive Director and chair of the Remuneration Committee are provided under the terms of a letter of appointment between the Company and Jill Ainscough dated 17 February 2015, conditional on Admission. The initial fee is £40,000 per annum plus £5,000 in respect of services as chair of the Remuneration Committee; and
- 9.10.3 the services of Johnathan Ford as a Non-Executive Director and chair of the Audit Committee are provided under the terms of a letter of appointment between the Company and Johnathan Ford dated 17 February 2015, conditional on Admission. The initial fee is £40,000 per annum plus £5,000 in respect of services as chair of the Audit Committee.
- 9.11 The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company's share, bonus or pension schemes.
- 9.12 Save as set out in paragraphs 9.2 and 9.3 above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.
- 9.13 No amount has been set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors.

## **10. Directors' and Senior Management's remuneration in the financial year ended 30 September 2014**

- 10.1 Under the terms of their service agreements and applicable incentive plans, in the financial year ended 30 September 2014, the aggregate remuneration (including salary and other benefits) paid by

members of the Group to the Directors of the Company who served during FY2014 (where applicable, from the date of their becoming a Director), consisting of four individuals is set out below:

<i>Director</i>	<i>Salary/Fees</i> (£)	<i>Bonus</i> (£)	<i>Pension Contribution</i> (£)	<i>Taxable Benefits</i> (£)	<i>Total</i> (£)
Stuart Black	198,216	Nil	Nil	Nil	198,216
Sean Birrane	174,506	Nil	8,725	14,420	197,651
Jeremy Simpson	80,000	Nil	3,675	5,750	89,425
Michael McMahon	63,779	Nil	6,221	750	70,750

- 10.2 In the financial year ended 30 September 2014, the aggregate remuneration paid by members of the Group to members of Senior Management who served during FY2014 (where applicable, from the date of their becoming a member of Senior Management), consisting of nine individuals was £930,732.
- 10.3 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.
- 10.4 For the financial year ended 30 September 2014, the Group made pension contributions (and other retirement related benefits (if any)) on behalf of the Directors and members of Senior Management who served during FY2014, consisting of 13 individuals in an aggregate amount of £85,669.
- 10.5 To reward the commitment and contribution of certain employees of the Group up to Admission, cash bonuses amounting to, in aggregate, £370,000 will be paid on, or shortly following, Admission, including to Jeremy Simpson, Chief Financial Officer, and Simon Howell, Group Company Secretary, as follows:

<i>Name of Director/Member of Senior Management</i>	<i>Amount of Cash Bonus (£)</i>
Jeremy Simpson	220,000
Simon Howell	50,000

## **11. Employee Share Incentive Schemes**

### **11.1 *The Lakehouse plc Company Share Option Plan ("CSOP")***

#### *Status of the CSOP*

The CSOP is designed to be a Schedule 4 CSOP Scheme.

The CSOP will be adopted by the Company with effect from Admission.

#### *Eligibility*

All employees (including full time executive directors) of the Company and any of its subsidiaries may be granted options over Shares under the CSOP provided that they are not prohibited under the relevant legislation relating to Schedule 4 CSOP Schemes from being granted an option by virtue of having, or having had, a material interest in the Company.

#### *Grant*

The Remuneration Committee will have absolute discretion to select the persons to whom options may be granted and, subject to the limits set out below, in determining the number of Shares subject to each option.

Options may be granted during the period of 42 days commencing on: (a) the date the CSOP is adopted by the Company; (b) the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year (provided that if the Shares continue to be admitted to the Official List at the time in question, no option shall be granted during the first



three Dealing Days following the date of any such announcement); or (c) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of options.

If the grant of an option on any of the above days would be prohibited by virtue of the Model Code or any statute or regulation or any order made pursuant to such statute, then such option may be granted during the period of thirty nine days commencing immediately after the third Dealing Day following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an option.

#### *Scheme limits*

On any date, no option may be granted under the CSOP if, as a result, the aggregate nominal value of Shares issued or issuable pursuant to options granted or rights obtained during the previous ten years under the CSOP or any other discretionary employees' share scheme (which excludes any Schedule 3 Save As You Earn Scheme, a Schedule 2 Share Incentive Plan or any other share option scheme of the Company which is linked to a contractual savings scheme) adopted by the Company would exceed five per cent of the nominal value of the share capital of the Company in issue on that date.

On any date, no option may be granted under the CSOP if, as a result, the aggregate nominal value of Shares issued or issuable pursuant to options granted or rights obtained during the previous ten years under the CSOP or any other employees' share scheme adopted by the Company would exceed ten per cent of the nominal value of the share capital of the Company in issue on that date.

For the purposes of the limits set out above:

- any Shares which were subject to an option or other right (whether granted under the CSOP or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limits set out above;
- any Shares issued or then capable of being issued pursuant to any options or rights obtained on or prior to Admission (whether under the CSOP or any other employees' share scheme adopted by the Company) shall not count towards the limits set out above;
- where an option (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Shares from an employee benefit trust established by the Company or from any other person, such Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust or such other person for the purposes of the CSOP or any other employees' share scheme operated by the Company; and
- Shares held in treasury which are used to satisfy awards or other rights (whether under the CSOP or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Management Association to be so included for the purposes of such limits.

#### *Individual limit*

Each individual's participation is limited so that the aggregate market value of Shares subject to all options (calculated as at the date of grant of each option) held by that individual and granted under the CSOP or any other Schedule 4 CSOP Scheme operated by the Company or any associated company, shall not exceed £30,000 (or such other amount as may be permitted by HMRC from time to time).

#### *Exercise price*

The exercise price per Share under an option is determined by the Remuneration Committee at the time of grant but may not be less than the greater of (i) the market value of a Share as at the date of

grant; and (ii) in the case of an option to subscribe for Shares, the nominal value of a Share. While the Shares are traded on the Official List, the market value of a Share will be the average of the middle market prices of a Share as derived from the Official List for the three Dealing Days immediately preceding the date of the grant of the option.

The exercise price (as well as the number of Shares under option and their description) may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Shares pursuant to the exercise of an option given to Shareholders to receive shares in lieu of a dividend) or rights offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital. Any such adjustments may not be made if they would result in the requirements of Schedule 4 of ITEPA not being met in relation to the option and any adjustments made must secure that the total market value of the Shares which may be acquired by the exercise of the option and the total price at which those Shares may be acquired is immediately after such adjustments substantially the same as what it was immediately before the adjustments.

#### *Performance conditions*

The exercise of options granted under the CSOP will, in normal circumstances, be conditional upon the achievement of one or more objective performance targets set at the time of grant.

Each performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) (“Performance Period”).

Subject to the satisfaction of the relevant performance targets an option will become capable of exercise following a date (“Vesting Date”) specified at the time of grant of an option which occurs on or after the expiry of all relevant Performance Periods applicable to the option but not before the third anniversary of the date of grant.

If any event occurs which causes the Remuneration Committee reasonably to consider that different or amended targets would be a fairer measure of performance, the Remuneration Committee may, acting fairly and reasonably, waive or amend the original performance targets in such manner as it deems fit provided that any such amended targets are not materially more difficult to achieve than the original performance targets.

It should also be noted that a performance target, applying to an option, may be measured over an abbreviated period less than the Performance Period in circumstances where an employee ceases to be a Group employee before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period. In these circumstances, such performance target shall be assessed on such modified basis as the Remuneration Committee thinks fit, acting fairly and reasonably.

In relation to the initial grant of options under the CSOP which it is proposed will be made shortly after Admission, it is intended that such options will be granted subject to the same performance conditions that apply to the initial awards to be granted under the PSP. Further details of the performance conditions intended to apply to the initial options proposed to be granted under the CSOP can therefore be found at paragraph 11.4 of this Part 14.

#### *Exercise and lapse of options*

Normally, an option may only be exercised following the occurrence of the Vesting Date relating to the option to the extent that the performance targets (if applicable) have been satisfied and the option holder is still an employee within the Group.

No option is capable of exercise more than ten years after its date of grant.

Options may also not be exercised during any prohibited period specified by the Model Code.

An option will lapse on the tenth anniversary of its date of grant unless it lapses sooner by virtue of another provision of the CSOP.

An option will generally lapse upon an option holder ceasing to be an employee of the Group.

However, if the option holder ceases to be an employee of the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy or retirement or upon the sale or transfer out of the Group of the company or undertaking employing him then the option holder will be entitled to retain his option and exercise it within the period of six months of the date the option holder ceases to be employed within the Group. In the event of cessation of employment of the option holder by reason of his death, his personal representatives will be entitled to exercise the option within 12 months following the date of his death. Where an option holder ceases to be employed within the Group for any other reason, options may also become exercisable for a limited period at the discretion of the Remuneration Committee.

Exercise of options is also possible earlier than the Vesting Date in the event of a takeover, a scheme of arrangement under Part 26 of the Companies Act being sanctioned by the court, the demerger of the Company, a non-UK company reorganisation (where applicable) or the voluntary winding up of the Company. In the case of a takeover of the Company or the transfer out of the Group of the undertaking employing the option holder concerned, the Remuneration Committee may allow the option to be exercised immediately before, but with effect from, the takeover or the transfer of the undertaking concerned.

In all of these circumstances allowing for early exercise of an option prior to the Vesting Date, the option may not be exercised unless (subject to any modification of the performance targets in accordance with the rules of the CSOP) the performance targets, if any, to which it is subject have been satisfied. Where an option is exercised before the occurrence of the Vesting Date, the maximum number of Shares over which any option is capable of exercise shall, subject to the discretion of the Remuneration Committee, be pro-rated down on a time apportioned basis by reference to the time that has elapsed from the relevant date of grant to the relevant event giving rise to the early exercise of the option.

In relation to the pro-rating mechanism referred to above, the Remuneration Committee has a discretion, having full regard to all the circumstances surrounding the early exercise of an option, to ignore the prescribed pro-rating of the Shares over which such option may be exercised.

In the event of a takeover of the Company, an option holder may be allowed to exchange his option for a new option over shares in the acquiring company, provided that the acquiring company agrees to such exchange and the rights under the new option are equivalent to those under the old option.

#### *Other option terms and the issue of Shares*

The CSOP provides the facility for the exercise of an option to be satisfied by either the issue of Shares, the transfer of Shares held by an existing Shareholder who has agreed to satisfy the exercise of the option or by the transfer of Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Shares subject to those options.

Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Shares already in issue but shall not rank for any dividends or other distributions payable by reference to a record date preceding the date of such allotment. Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Shares by reference to a record date preceding the date of that exercise. For so long as the Shares are listed on the Official List, the Company will use its best endeavours to procure that the Shares issued following exercise of any options are admitted to the Official List as soon as practicable after allotment.

Benefits obtained under the CSOP are not pensionable.

#### *Administration and amendment*

The CSOP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the CSOP. However, no amendment to a material feature of the CSOP may be made which would result in the requirements of Schedule 4 of ITEPA not being met in relation to the CSOP. Furthermore, the rules of the CSOP which relate to:

- the persons to whom Shares are provided under the CSOP;
- the limits on the number of Shares which may be issued under the CSOP;
- the maximum entitlement of any option holder;
- the basis for determining an option holder's entitlement to Shares or options; and
- the basis for determining the adjustment of any option granted under the CSOP following any increase or variation in the share capital of the Company,

cannot be amended to the advantage of any option holder or potential option holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the CSOP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or any Group company.

In addition, no amendment may be made to subsisting options which will have an adverse affect on such options except with the written consent of the option holders who hold options over at least 75 per cent of the total number of Shares subject to all such affected subsisting options under the CSOP or unless the amendment is a minor amendment to benefit the administration of the CSOP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder or any Group company.

#### *Termination*

The CSOP may be terminated at any time by resolution of the Board and shall, in any event, terminate on the tenth anniversary of its adoption so that no further options can be granted under the CSOP after such termination. Termination shall not affect the outstanding rights of existing option holders.

### **11.2 *The Lakehouse plc Sharesave Scheme ("SAYE Scheme")***

#### *Status of the SAYE Scheme*

The SAYE Scheme is designed to be a Schedule 3 Save as you Earn Scheme.

The SAYE Scheme will be adopted by the Company with effect from Admission.

#### *Eligibility*

Participation in the SAYE Scheme will be offered to all employees, (including full-time executive directors) of the Company and its participating subsidiaries who satisfy certain criteria. The criteria are that:

- the employee must have been employed for a continuous period to be determined by the board of directors of the Company or a duly appointed committee thereof ("Board") (not exceeding five years ending on the date of grant of the relevant option); and
- the employee's earnings from employment are general earnings (or would be if there were any) for a tax year in which the employee is resident in the United Kingdom.

In addition, certain other employees of the Company or any subsidiary of the Company nominated by the Board may be permitted to participate in the SAYE Scheme.

### *Issue of Invitations*

Invitations to apply for an option may be issued to eligible employees during the period of 42 days commencing on: (a) the date the SAYE Scheme is adopted by the Company; (b) the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year (provided that if the Shares continue to be admitted to the Official List at the time in question, no invitations shall be issued during the first three Dealing Days commencing on the date of any such announcement); (c) any day on which a change to the legislation affecting Schedule 3 Save as you Earn Schemes is proposed or takes effect; or (d) any day on which a new savings contract prospectus is announced or takes effect.

If the issue of an invitation during any of the above periods would be prohibited by virtue of the Model Code or any statute, order or regulation, then such invitation may be issued during the period of thirty nine days commencing immediately after the third Dealing Day following the time that such prohibition shall cease to have effect.

Each eligible employee who receives an invitation may, within 18 days from the date of the invitation (or such shorter period not being less than 14 days as the Board may determine), apply for an option.

### *"Save-As-You-Earn" Contract and Grant of Options*

An eligible employee who wishes to be granted an option must enter into a save-as-you-earn contract ("SAYE contract") with an approved savings body selected by the Board. Under the SAYE contract, the eligible employee will save a regular sum each month for three or five years (such period to be selected at the discretion of the Board on or prior to issuing the invitations or where the Board allows, by the eligible employee) of not less than £5 nor more than £500 per month (or such greater amount as may from time to time be permitted by ITEPA). Employees who complete an SAYE contract will be entitled to a bonus from the savings body provided that such a bonus is payable in respect of the SAYE contract concerned. The bonus is fixed at the inception of the SAYE contract.

An option to acquire Shares will be granted to each eligible employee who enters into an SAYE contract. The number of Shares subject to such an option will be the number of Shares which have an aggregate option price not exceeding the projected proceeds of the SAYE contract concerned (including the bonus, if available, subject to any scaling back as described below).

No consideration is payable for the grant of an option.

### *Scaling Back*

If there are insufficient Shares available to fully satisfy all applications received for an option from eligible employees, the Board may scale down the applications by taking one or more prescribed steps approved by HMRC and set out in the rules of the SAYE Scheme to reduce the amount of savings made under each SAYE contract or otherwise reduce the proceeds derived from each SAYE contract so as to ensure that the options are granted over such number of Shares as does not exceed the number of Shares available to satisfy those options.

### *Exercise Price*

Subject to the constraints set out below, the option price per Share subject to an option will be selected by the Board.

The option price must not be less than eighty per cent (or such other percentage as may from time to time be permitted by ITEPA) of the market value of a Share on the day on which the invitations to apply for options are issued provided that, in the case of an option to subscribe for Shares, the option price per Share subject to an option selected by the Board shall not be less than the greater of (i) the nominal value of a Share and (ii) an amount equal to eighty per cent (or such other percentage as may from time to time be permitted by ITEPA) of the market value of a Share on the day on which the invitations to apply for options are issued. While the Shares are traded on the Official List the market

value of a Share will be the average of the middle market prices of a Share as derived from the Official List for the three Dealing Days immediately preceding the date of the invitation.

The exercise price (as well as the number of Shares under option and their description) may be adjusted by the Board in the event of any capitalisation issue or rights issue (other than an issue of Shares pursuant to the exercise of an option given to the shareholders of the Company to receive Shares in lieu of a dividend) or any other variation in the share capital of the Company, including (without limitation) any consolidation, subdivision or reduction of capital. Any such adjustments may not be made if they would result in the requirements of Schedule 3 of ITEPA not being met in relation to the option and any adjustments made must secure that the total market value of the Shares which may be acquired by the exercise of the option and the total price at which those Shares may be acquired is immediately after such adjustments substantially the same as what it was immediately before the adjustments.

#### *Scheme Limits*

On any date, no option may be granted under the SAYE Scheme if as a result the aggregate nominal value of Shares issued or issuable pursuant to options or other rights granted during the previous ten years under the SAYE Scheme or any other employee's share scheme adopted by the Company would exceed ten per cent of the nominal value of the share capital of the Company in issue at that date.

For the purposes of the limits set out above:

- any Shares which were subject to an option or other right (whether granted under the SAYE Scheme or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limits set out above;
- any Shares issued or then capable of being issued pursuant to any options or rights obtained on or prior to Admission (under any other employees' share scheme adopted by the Company) shall not count towards the limits set out above;
- where an option (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Shares from an employee benefit trust established by the Company or from any other person, such Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust or such other person for the purposes of the SAYE Scheme or any other employees' share scheme operated by the Company; and
- Shares held in treasury which are used to satisfy awards or other rights (whether under the SAYE Scheme or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Management Association to be so included for the purposes of such limits.

#### *Exercise and Lapse of Options*

Options are not transferable and (except in the circumstances described below) an option may normally only be exercised within a period of six months following the maturity of the relevant SAYE contract by a person who remains a director or employee.

Where an option holder dies before the maturity of his SAYE contract, his personal representatives may exercise his option within a period of twelve months from the date of his death. Where an option holder dies within a period of six months following the expiry of his SAYE contract without having exercised his option, his personal representatives may exercise his option within a period of twelve months from the date of expiry of the SAYE contract.



An option holder may exercise his option early within a period of six months of ceasing to be an employee of the Group where the cessation occurs as a result of:

- injury, disability, redundancy (within the meaning of the Employment Rights Act 1996), retirement or a transfer of the option holder's employment within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE Transfer");
- his employing company ceasing to be under the control of the Company; or
- his office or employment being transferred to a company which is not under the control of the Company where such transfer does not amount to a TUPE Transfer.

Options will lapse upon cessation of employment of the option holder in any other circumstances not referred to above.

An option holder may also exercise his option early within a limited period following a takeover, a scheme of arrangement under Part 26 of the Companies Act 2006 being sanctioned by the court, a non-UK company reorganisation or the voluntary winding up of the Company.

Where there is a change of control of the Company in certain circumstances option holders may release their rights under options in consideration of the grant to them of equivalent rights over Shares in the acquiring company which gains control of the Company.

Where an option is exercised early the number of Shares acquired on exercise will in any event be limited by reference to the proceeds accrued under the relevant SAYE contract up to the date of exercise.

#### *Other Option Terms and issue of Shares*

The SAYE Scheme provides the facility for the exercise of options to be satisfied by either the issue of Shares, the transfer of Shares held by an existing shareholder who has agreed to satisfy the exercise of the option or by the transfer of Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Shares subject to those options.

Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of allotment. Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Shares by reference to a record date preceding the date of that exercise. For so long as the Shares are listed on the Official List, the Company will use its best endeavours to procure that the Shares issued following exercise of any options are admitted to the Official List as soon as practicable after allotment.

Benefits obtained under the SAYE Scheme are not pensionable.

#### *Amendments*

The SAYE Scheme is administered by the Board. The Board may amend the provisions of the SAYE Scheme. However, no amendment to a key feature of the SAYE Scheme may be made which would result in the requirements of Schedule 3 of ITEPA not being met in relation to the SAYE Scheme.

Furthermore, the rules of the SAYE Scheme which relate to:

- the persons to whom options may be granted;
- the limits on the number of Shares which may be issued under the SAYE Scheme;
- the maximum entitlement of any option holder;



- the basis for determining an option holders entitlement to Shares or options; and
- the basis for determining the adjustment of any option granted under the SAYE Scheme following any increase or variation in the Share capital of the Company

cannot be amended to the advantage of any option holder or potential option holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the SAYE Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder, the Company or any subsidiary undertaking of the Company from time to time.

In addition no amendment may be made to subsisting options which will have an adverse affect on such options except with the written consent of the option holders who hold options over at least 75% of the total number of Shares subject to all such affected subsisting options under the SAYE Scheme or unless the amendment is a minor amendment to benefit the administration of the SAYE Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder, the Company or any subsidiary undertaking of the Company from time to time.

#### *Overseas employees*

The Board may adopt supplemental rules to the SAYE Scheme to facilitate the granting of options to individuals not resident in the UK provided that such supplemental rules will, so far as the Board in its discretion considers reasonably practicable, follow the rules of the SAYE Scheme.

#### *Termination*

The SAYE Scheme may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption by the Company so that no further options can be granted under the SAYE Scheme after such termination. Termination shall not affect the outstanding rights of existing option holders.

### **11.3 *The Lakehouse plc Share Incentive Plan (“SIP”)***

#### *Status of the SIP*

The SIP is designed to be a Schedule 2 Share Incentive Plan.

The SIP was adopted by the Company on 2 March 2015.

#### *Eligibility*

Subject to some limited exceptions set out in the rules of the SIP, the SIP is open to all UK employees of the Company, or any subsidiary or jointly owned company of the Company which is participating in the SIP. The SIP may (at the discretion of the board of directors of the Company (“Board”)) be used in relation to non-UK employees.

As noted below, the Board can exclude employees who have not completed a qualifying period of service.

#### *How the SIP may be operated*

The SIP provides that the Company can offer to employees any of the following types of awards over Shares:

- “Free Shares” – being an allocation of Shares to employees without charge;
- “Partnership Shares” – being an allocation of Shares paid for by employees out of deductions made from pre-tax salary;
- “Matching Shares” – being an allocation of Shares to employees without charge, the number of which is proportionate to the number of Partnership Shares acquired; and

- “Dividend Shares” – being Shares acquired using dividends paid in respect of any Shares acquired under and held within the SIP.

Any combination of the above awards may be utilised in any year (except that Matching Shares are dependent on awards of Partnership Shares being made and so can only be made at the same time as a corresponding award of Partnership Shares and Dividend Shares can only be acquired using dividends paid on Shares obtained by a participant under the SIP whilst such Shares are held in the SIP).

The SIP operates in conjunction with the trust established for the purposes of the SIP (“SIP Trust”) which is administered by the trustee of the SIP Trust (“SIP Trustee”) under the direction of the Company. No director of the Company has any interest in the SIP Trustee.

The SIP is structured to allow the SIP Trustee to subscribe for, or purchase, Shares. The money to acquire the Shares is provided by the Company or the relevant employing company (or, in the case of Partnership Shares, from the employees themselves).

#### *Free Shares*

The Company may give Free Shares up to a maximum value, calculated at the date of the award of such Free Shares, of £3,600 per employee in a tax year (or such other amount as specified in the relevant legislation relating to Schedule 2 Share Incentive Plans).

#### *Qualifying Periods*

In relation to each award of Free Shares, the Board may (at its discretion) set a qualifying period during which an individual must have been employed in order to be eligible to participate in the award. The qualifying period cannot exceed a period of 18 months before the date of the award.

#### *Timing of Awards*

Awards of Free Shares may only be made within the period of 42 days commencing on:

- (a) the date of Admission; or
- (b) the date of the preliminary announcement of the Company’s annual results or the announcement of its half-yearly results in any year (provided that if the Shares continue to be admitted to the Official List at the time in question, no award shall be made during the first three Dealing Days following the date of any such announcement).

No awards may be made at a time when the making of such award would be in breach of the Model Code.

#### *Performance Conditions*

An award of Free Shares can (at the discretion of the Board) be made subject to the prior satisfaction of performance conditions. If the Board determines to use performance conditions it must follow one of the two methods of applying performance conditions set out in the rules of the SIP which accord with the legislation relating to Schedule 2 Share Incentive Plans.

#### *Holding Period*

In relation to each award of Free Shares, the Board must set a holding period determined in its discretion of between three and five years from the date of the award of such Free Shares. Once set, the holding period cannot be increased.

Whilst individuals remain employed by the Company, or one of its subsidiaries, they must generally leave their Free Shares within the hands of the SIP Trustee throughout the holding period.

### *Restrictions*

The Board may determine prior to the making of an award of Free Shares that such award of Free Shares will be subject to restrictions. In the event that the Board determines that Free Shares will be subject to any restrictions, the terms of such restrictions must be notified to the participant. The same restrictions must apply to all Free Shares awarded at the same time.

### *Partnership Shares*

The Company may provide employees with the opportunity to enter into an agreement with the Company to enable such employees to use part of their pre-tax salary to acquire Partnership Shares (“Partnership Share Agreement”).

### *Deductions*

An employee may allow the Company to make deductions from his salary up to a maximum of 10 per cent of his salary in any tax year or £1,800 in any tax year (or such other maximum amount as specified in the relevant legislation relating to Schedule 2 Share Incentive Plans), whichever is less, for the purpose of acquiring Partnership Shares. The Company may impose lower maximum limits. In addition, the Company may set a minimum deduction (but such minimum cannot exceed £10 per month).

The money deducted from an employee’s salary will be held by the SIP Trustee and shall be applied by the SIP Trustee in purchasing Partnership Shares.

### *Accumulation Period*

If the Board so chooses, deductions in relation to Partnership Shares may be accumulated over an accumulation period not exceeding 12 months.

If no accumulation period is set, any deduction from salary must be used by the SIP Trustee to acquire Partnership Shares within 30 days from the date on which it was deducted. Any surplus money remaining after the acquisition of Partnership Shares may be added to the next deduction or paid over to the participant.

If an accumulation period is set, the deductions from salary will be accumulated throughout the period. At the end of the period, the accumulated deductions from salary must be used by the SIP Trustee to acquire Partnership Shares within 30 days from the end of the accumulation period. Partnership Shares will be allocated to participants using one of three methods set out in the rules of the SIP which accord with the legislation relating to Schedule 2 Share Incentive Plans and which is specified in the Partnership Share Agreement. Any surplus money remaining after the acquisition of Partnership Shares may be carried forward or paid over to the participant.

### *Qualifying Period*

In relation to each award of Partnership Shares, the Board may (at its discretion) set a qualifying period during which an individual must have been employed in order to be eligible to participate in the award.

If there is an accumulation period, the qualifying period cannot exceed six months before the starting date of the accumulation period.

If there is no accumulation period, the qualifying period cannot exceed 18 months before the deduction of money from the individual’s salary in respect of the award (and, for these purposes, each individual acquisition of Shares will constitute an award).

### *Forfeiture*

Partnership Shares shall not be subject to forfeiture and may be withdrawn from the SIP at any time.

Notwithstanding the fact that Partnership Shares shall not be subject to forfeiture, Partnership Shares may be subject to a provision requiring Partnership Shares acquired on behalf of an employee to be offered for sale provided that the consideration at which the Partnership Shares are required to be offered for sale must be at least equal to the amount of partnership share money applied in acquiring the Partnership Shares on behalf of the employee or, if lower, the market value of the Partnership Shares at the time they are offered for sale.

#### *Matching Shares*

If employees acquire Partnership Shares, the Board can also (at its discretion) give such employees Matching Shares. In such case, each employee will acquire Matching Shares in proportion to the number of Partnership Shares acquired by that employee. The maximum ratio for an award of Matching Shares to Partnership Shares is 2:1 (or such other maximum ratio as specified in the relevant legislation relating to Schedule 2 Share Incentive Plans).

#### *Holding Period*

In relation to each award of Matching Shares, the Board must set a holding period determined at its discretion of between three and five years from the date of the award of Matching Shares.

Whilst participants remain employed by the Company, or one of its subsidiaries, they must generally leave their Matching Shares within the hands of the SIP Trustee throughout the specified holding period. Once set, the holding period cannot be increased.

#### *Restrictions*

The Board may determine prior to the making of an award of Matching Shares that such award of Matching Shares will be subject to restrictions. In the event that the Board determines that Matching Shares will be subject to any restrictions, the terms of such restrictions shall be notified to the participant. The same restrictions must apply to all Matching Shares awarded at the same time.

#### *Dividends and Dividend Shares*

In relation to any dividends paid on Shares held within the SIP, the Board may direct that:

- they are all paid out in cash;
- some or all are re-invested in Dividend Shares; or
- the participants are given an individual choice to take either cash or Dividend Shares or a combination of shares and cash.

#### *Amount to be reinvested*

There is no limit on the amount of dividends that may be reinvested in Dividend Shares.

#### *Surplus Cash Dividends*

Any surplus cash after Dividend Shares have been acquired may be retained by the SIP Trustee and carried forward to acquire further Dividend Shares in the future.

#### *Holding Period*

The rules for the SIP provide that Dividend Shares must be held in the SIP for a period of three years from acquisition.

#### *Forfeiture*

Dividend Shares shall not be subject to forfeiture.

Notwithstanding the fact that Dividend Shares shall not be subject to forfeiture, Dividend Shares may be subject to a provision requiring Dividend Shares acquired on behalf of an employee to be offered

for sale provided that the consideration at which the Dividend Shares are required to be offered for sale must be at least equal to the amount of cash dividends applied in acquiring the Dividend Shares on behalf of the employee or, if lower, the market value of the Dividend Shares at the time they are offered for sale.

#### *SIP Limits*

In any 10 year period, the number of Shares issued pursuant to awards granted under the SIP, when aggregated with the number of Shares issued or issuable pursuant to any other employees' share scheme operated by the Company, shall not exceed more than 10 per cent of the nominal value of the Company's issued share capital from time to time.

For the purposes of the limits set out above:

- any Shares which were subject to an option or other right (whether granted under the SIP or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limits set out above;
- any Shares issued or then capable of being issued pursuant to any options or rights obtained on or prior to Admission under any other employees' share scheme adopted by the Company shall not count towards the limits set out above;
- where Shares are acquired or may be acquired pursuant to an award (or pursuant to an option or other right granted under any other employees' share scheme operated by the Company), such Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to an employee benefit trust established by the Company or to some other person for the purposes of the SIP or any other employees' share scheme operated by the Company; and
- Shares held in treasury which are used to satisfy awards or other rights (whether under the SIP or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Management Association to be so included for the purposes of such limits.

#### *Other Award Terms*

Awards under the SIP will not be pensionable.

#### *Corporate Events and Share Reorganisations*

A participant may direct the SIP Trustee at any time whilst the SIP Trustee holds Shares on the participant's behalf to:

- accept any offer for such shares, if the acceptance of such offer would result in a new holding of shares being equated with the original Shares for capital gains tax purposes;
- agree to a transaction which would if entered into be a scheme, compromise or arrangement applicable to all the Shares (or all the Shares of a particular class which have been appropriated to the participant) or all Shares (or Shares of the class in question) held by a class of shareholders identified otherwise than by reference to their employment or participation in a Schedule 2 Share Incentive Plan; or
- accept an offer for cash (with or without other assets) or accept an offer for a qualifying corporate bond (whether alone or with other assets or cash or both) for such shares if such offer forms part of a general offer which is made on the condition that if satisfied will result in the person making the offer obtaining control of the Company.

In the event of a rights issue in respect of any Shares, each participant may instruct the SIP Trustee in respect of all or any of the Shares appropriated to him and held by the SIP Trustee to exercise the rights in respect of all or any of such Shares or to exercise some of the rights and sell the remainder

of the rights nil paid (the sale proceeds to be used to take up the rights exercised) or to sell all of the rights in respect of some or all of such Shares.

In the event that the SIP Trustee is offered the opportunity to acquire Shares pursuant to rights attaching to Shares which it holds on behalf of any participant, it shall take up such opportunity only on the instructions of the participant concerned.

#### *Administration and Amendments*

The SIP is administered by the Board. The Board may amend the provisions of the SIP. However, no amendment to a key feature of the SIP shall have effect if the effect of such amendment would cause the requirements of Parts 2 to 9 inclusive of Schedule 2 not to be met in relation to the SIP. Furthermore, the rules of the SIP which relate to:

- the persons to whom awards may be made under the SIP;
- the limitations on the number or amount of Shares which may be used under the SIP;
- the maximum entitlement of any one participant under the SIP; and
- the basis for determining a participant's entitlement to Shares or awards and the adjustment of awards under the SIP following any increase or variation in the share capital of the Company;

cannot be amended to the advantage of any participant or potential participant without the prior approval of the shareholders of the Company in general meeting, except for minor amendments to benefit the administration of the SIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or potential participant in the SIP or for the Company or any of its subsidiaries.

In addition, no amendments shall be made which adversely affect the rights of subsisting participants without the prior written consent of three-quarters of such participants (by number) or, where in the reasonable opinion of the Board the amendments do not affect all the rights of subsisting participants, the prior written consent of three-quarters of the participants (by number) as hold subsisting rights that are affected, unless the amendments are minor amendments to benefit the administration of the SIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or potential participant in the SIP or for the Company or any of its subsidiaries.

#### *Overseas Employees*

The Board may adopt supplemental rules to the SIP to facilitate the granting of awards to individuals not resident in the UK provided that such supplemental rules will, so far as the Board in its discretion considers reasonably practicable, follow the rules of the SIP.

#### *Termination*

The SIP may be terminated at any time by a resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption, unless the shareholders of the Company have previously resolved in general meeting to extend the life of the SIP. Following termination of the SIP, no further Shares may be awarded to individuals pursuant to the SIP.

### **11.4 *The Lakehouse plc Performance Share Plan ("PSP")***

#### *Status of the PSP*

Awards granted under the PSP will take the form of options to acquire Shares either at a price equal to the nominal value of the Shares or for nil consideration. The awards will have no beneficial tax status.

The PSP will be adopted by the Company shortly prior to Admission.



### *Eligibility*

All employees (including executive directors) of the Company and any of its subsidiaries may be granted awards under the PSP.

### *Grant*

The Remuneration Committee will have absolute discretion to select the persons to whom awards may be granted and, subject to the limits set out below, in determining the number of Shares to be subject to each award.

Awards may be granted during the period of 42 days commencing on: (a) the date the PSP is adopted by the Company; (b) the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year (provided that if the Shares continue to be admitted to the Official List at the time in question, no award shall be granted during the first three Dealing Days following the date of any such announcement); or (c) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of awards.

If the grant of an award on any of the above days would be prohibited by virtue of the Model Code or any statute or regulation or any order made pursuant to such statute, then such award may be granted during the period of thirty nine days commencing immediately after the third Dealing Day following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an award.

### *Plan Limits*

On any date, no award may be granted under the PSP if, as a result, the aggregate nominal value of Shares issued or issuable pursuant to awards granted during the previous ten years under the PSP or any other discretionary employees' share scheme (which excludes any Schedule 3 Save As You Earn Scheme, a Schedule 2 Share Incentive Plan or any other share option scheme of the Company which is linked to a contractual savings scheme) adopted by the Company would exceed five per cent of the nominal value of the share capital of the Company in issue on that date.

On any date, no award may be granted under the PSP if, as a result, the aggregate nominal value of Shares issued or issuable pursuant to awards granted during the previous ten years under the PSP or any other employees' share scheme adopted by the Company would exceed ten per cent of the nominal value of the share capital of the Company in issue on that date.

For the purposes of the limits set out above:

- any Shares which were subject to an award or other right (whether granted under the PSP or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limits set out above;
- any Shares issued or then capable of being issued pursuant to any awards or rights obtained on or prior to Admission (whether under the PSP or any other employees' share scheme adopted by the Company) shall not count towards the limits set out above;
- where an award (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Shares from an employee benefit trust established by the Company, such Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust for the purposes of the PSP or any other employees' share scheme operated by the Company; and
- Shares held in treasury which are used to satisfy awards or other rights (whether under the PSP or any other employees' share scheme adopted by the Company) shall be taken into account



unless and until treasury shares are no longer required by the Investment Management Association to be so included for the purposes of such limits.

#### *Individual Limit*

Each individual's participation is limited so that, in any one financial year of the Company, the aggregate market value of Shares subject to all awards (calculated as at the date of grant of each award) granted to the individual under the PSP in that financial year, will not exceed 150 per cent of the individual's annual base salary at the date of grant.

#### *Performance Target*

The exercise of awards granted under the PSP will be made conditional upon the achievement of one or more performance targets set by the Remuneration Committee at the time of grant.

Each performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) ("Performance Period").

Subject to the satisfaction of the relevant performance targets an award will become capable of exercise following a date ("Vesting Date") specified at the date of grant of an award. The Vesting Date for any award will be a date selected by the Remuneration Committee which occurs on or after the expiry of all relevant Performance Periods applicable to the award but not before the third anniversary of the date of grant.

In relation to the initial grant of awards under the PSP to be made on or shortly prior to Admission it is intended that:

- one third of the Shares subject to any award will be subject to the total shareholder return target as described below ("TSR Target"); and
- two thirds of the Shares subject to any award will be subject to the earnings per share growth target as described below ("EPS Target").

#### *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 Admission ("TSR Performance Period") relative to that of the constituents of a comparator group of companies over the same period. The comparator group shall comprise of the constituents (as at the start of the TSR Performance Period) of the FTSE All-Share Business Support Services and of the FTSE All-Share Heavy Construction subsectors (excluding in each case any company which is in the FTSE 100 index) ("Comparator Group").

If the Company is ranked less than median by reference to its total shareholder return over the TSR Performance Period relative to that of the constituents of the Comparator Group, then the award will not be capable of exercise in respect of any of the Shares subject to the TSR Target.

If the Company is ranked exactly at the median by reference to its total shareholder return over the TSR Performance Period relative to that of the constituents of the Comparator Group, then the award will be capable of exercise in respect of 25 per cent. of the Shares that are subject to the TSR Target (rounded down to the nearest whole number of Shares).

If the Company is ranked exactly at the upper quartile or higher than the upper quartile by reference to its total shareholder return over the TSR Performance Period relative to that of the constituents of the Comparator Group, then the award will be capable of exercise in respect of all the Shares that are subject to the TSR Target.

Where the Company is ranked between the median and the upper quartile by reference to its total shareholder return over the TSR Performance Period relative to that of the constituents of the Comparator Group then the number of Shares over which the award will be capable of exercise shall

be determined on a straight line basis between 25 per cent. and 100 per cent. of the Shares subject to the TSR Target (with interpolation between ranking positions and rounded down to the nearest whole number of Shares).

For the purposes of undertaking the calculations for the TSR Target, the relevant net return index for the Company and the constituents of the Comparator Group will be averaged over a period of three months commencing on the date of Admission and averaged over a period of three months prior to the end of the TSR Performance Period.

#### EPS Target

The EPS Target will measure the growth of the Company's earnings per share over a three-year Performance Period commencing on the first day of the financial year in which the award is made ("EPS Performance Period") relative to the growth in the Retail Prices Index.

If the compound annual growth rate in earnings per share of the Company measured over the EPS Performance Period is less than the compound annual growth rate in the Retail Prices Index measured over the same period plus four per cent. ("Lower Target"), then the award will not be capable of exercise in respect of any of the Shares subject to the EPS Target.

If the compound annual growth rate in earnings per Share of the Company measured over the EPS Performance Period is equal to the Lower Target, then the award will be capable of exercise in respect of 25 per cent. of the Shares that are subject to the EPS Target (rounded down to nearest whole number of Shares).

If the compound annual growth rate in earnings per Share of the Company measured over the EPS Performance Period is equal to or greater than the compound annual growth rate in the Retail Prices Index measured over the same period plus 12 per cent. ("Upper Target"), then the award will be capable of exercise in respect of all the Shares subject to the EPS Target.

If the compound annual growth rate in earnings per Share of the Company measured over the EPS Performance Period falls between the Lower Target and the Upper Target, the number of Shares over which the award will be capable of exercise shall be determined on a straight line basis between 25 per cent. and 100 per cent. of the Shares subject to the EPS Target (rounded down to nearest whole number of Shares).

For the purposes of undertaking the calculations for the EPS Target, it is intended that earnings per Share will be determined on such adjusted basis as the Remuneration Committee determines appropriate.

If any event occurs which cause the Remuneration Committee reasonably to consider that different or amended targets would be a fairer measure of performance, the Remuneration Committee may, acting fairly and reasonably, waive or amend the original performance targets in such manner as it deems fit provided that any such amended targets are not materially less challenging to achieve than the original performance targets would have been to achieve but for the event or events in question.

It should also be noted that in circumstances where an employee ceases to be a Group employee before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period then the performance targets applying to an award shall be assessed on such modified basis as the Remuneration Committee thinks fit, acting fairly and reasonably.

The Remuneration Committee has the right to determine and set different performance targets to those described above in relation to any award made under the PSP provided that in the case of awards made to executive directors of the Company, the new performance targets are not materially less challenging in the circumstances prevailing at the relevant time than the performance targets described above.

### *Dividends*

Until an award has been exercised and the Shares have been transferred or issued to the award holder, the award holder shall have no entitlement to any dividends or other distributions payable in respect of the Shares subject to the award.

The Remuneration Committee has a discretion, however, which must be exercised at the time of grant of an award, to permit award holders to receive the benefit of dividends paid by the Company on Shares during the period commencing on the date of grant of the award and ending on the Vesting Date relating to that award. If the Remuneration Committee exercises such discretion then on the exercise of an award the award holder may receive either:

- such number of additional Shares (“Dividend Equivalent Shares”) as could have been acquired over the period from the date of grant of the award to its Vesting Date at the prevailing market value on each dividend payment date with the amount of dividends that the award holder would have received in respect of the Shares over which the award is capable of exercise; or
- a cash payment equal to the market value of the Dividend Equivalent Shares, (such market value to be measured on the date that such Dividend Equivalent Shares would have been transferred to the award holder, but for the Remuneration Committee’s decision to make such a cash payment instead) (“Dividend Cash Payment”).

Dividend Equivalent Shares that have been issued and any Dividend Equivalent Shares that have been notionally added to an award shall be taken into account for the purposes of applying the plan limits set out above. Any potential right to receive additional Dividend Equivalent Shares in the future shall not, however, be taken into account.

To the extent that an award does not become exercisable in relation to any Shares, the award holder shall cease to be entitled to receive the Dividend Cash Payment or the Dividend Equivalent Shares which relate to the Shares over which the award cannot be exercised.

### *Exercise and lapse of Awards*

Normally, an award may only be exercised following the occurrence of the Vesting Date relating to the award to the extent that the performance targets have been satisfied and the award holder is still an employee within the Group.

After an award has become capable of exercise it may be exercised at any time up until the tenth anniversary of the date of grant of the award or until such earlier date specified by the Remuneration Committee at the date of grant of the award. This is subject to the caveat that awards may not be exercised during any prohibited period specified by the Model Code.

An award will lapse on the tenth anniversary of its date of grant unless it lapses sooner by virtue of an earlier lapse date being specified in relation to the award at the time of its grant or pursuant to another provision of the PSP.

An award will generally lapse upon an award holder ceasing to be an employee of the Group.

However, if the award holder ceases to be employed within the Group by reason of his death, injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee) or retirement with the agreement of his employer or upon the sale or transfer out of the Group of the company or undertaking employing him or in any other circumstances at the discretion of the Remuneration Committee, then the award holder will be entitled to retain his award following the cessation of his employment. In these circumstances the retained award will, if such cessation of employment occurs prior to the Vesting Date of the award, ordinarily first become capable of exercise on the Vesting Date, save that the Remuneration Committee may permit the award to be exercised from the date of cessation.

In either case, the number of Shares over which the award may ultimately be exercised shall be determined:

1. by reference to the extent to which the performance targets are satisfied at the end of the applicable Performance Periods (or, in any case where the Remuneration Committee exercises its discretion, as mentioned in the preceding paragraph, to permit the award to be exercised from the cessation of employment, at the end of the abbreviated Performance Periods); and
2. by pro-rating the number of Shares in respect of which the award is capable of exercise in accordance with the performance targets to reflect the part of the vesting period (being the period commencing on the date of grant of an award and ending on the Vesting Date relating to such award (“Vesting Period”)) which has elapsed as at the date of cessation of employment, unless the Remuneration Committee exercises its discretion so that no such pro-rating should apply to the award in question or that pro-rating should be applied to some lesser extent.

Awards which become capable of exercise following the cessation of employment of the award holder must be exercised within 12 months of the date the award becomes capable of exercise and to the extent not exercised by the end of this period will lapse.

Awards shall also become capable of exercise earlier than the Vesting Date in the event of a takeover, a scheme of arrangement under Part 26 of the Companies Act 2006 being sanctioned by the court or the voluntary winding up of the Company (“Corporate Event”), subject to the Remuneration Committee’s determination as to the achievement of any applicable performance targets. In any such case, the number of Shares over which an award may be exercised will normally also be pro-rated to reflect the amount of the Vesting Period that has elapsed prior to the relevant Corporate Event. However the Remuneration Committee has a discretion to ignore such prescribed pro-rating of the Shares over which such award may be exercised, or to pro-rate to such lesser extent as it may decide.

An internal reorganisation will not normally trigger the ability to exercise any awards for which the Vesting Date has not occurred at the time of such internal reorganisation. Instead in the event of an internal reorganisation all award holders will be given the opportunity to exchange each of their awards (irrespective of whether or not the Vesting Date for any award in question has occurred) for an award in the new holding company (subject to such new holding company’s consent) unless the Remuneration Committee determines otherwise in which case all such awards shall become capable of exercise in accordance with the provisions described above for a Corporate Event, as if the internal reorganisation was a takeover of the Company. Any award will lapse if the ability to exchange that award is offered to the award holder but the award holder declines to exchange the award for an award in the new holding company prior to the expiry of the period permitted by the Remuneration Committee for the exchange to take place.

If a proposed demerger, special dividend or other similar event is announced which, in the opinion of the Remuneration Committee, would affect the share price of a Share to a material extent, the Remuneration Committee may decide that all awards (irrespective of whether or not their respective Vesting Dates have occurred) will be capable of exercise in accordance with the provisions described above for a Corporate Event, as if the demerger, special dividend or other similar event in question was a takeover of the Company.

#### *Clawback*

At any time prior to the expiry of the three year period following the Vesting Date of an award the Remuneration Committee shall have the ability to reclaim the value (or part of the value) of the award. This ability shall be capable of exercise in any case where:

- there has been a material misstatement of the Company’s financial results resulting in the award being capable of exercise over an excess number of Shares;

- an error has been made either in the document granting the award or in assessing the extent to which the performance target applying to the award has been met resulting in the award being granted over, or being capable of exercise over, an excess number of Shares; or
- it is discovered that the award holder in question has, at any time on or prior to the Vesting Date of the award, committed serious misconduct.

In the event that this “clawback provision” is exercised, recovery of the value (or part of the value) of an award from the award holder may be made by way of a reduction in any future bonus, a reduction in the number of Shares subject to an existing award or that may be made subject to a future award under the PSP or any option or award granted under any other employee share scheme operated by the Company (other than a Schedule 2 Share Incentive Plan, a Schedule 3 Save as you Earn Scheme or a Schedule 4 Company Share Option Scheme), and/or by the award holder making a cash payment to the Company.

#### *Other Award terms*

An award may be satisfied by either the issue of Shares, the transfer of Shares (which may have been acquired by subscription or by purchase in the market) held by an existing shareholder who has agreed to satisfy the exercise of the award or by the transfer of Shares held in treasury.

Awards are not capable of transfer or assignment.

Until awards are exercised, award holders have no voting or other rights in relation to the Shares subject to those awards.

Shares allotted pursuant to the exercise of an award will rank *pari passu* in all respects with the Shares already in issue. Shares transferred on the exercise of an award shall be transferred without the benefit of any rights attaching to the Shares by reference to a record date preceding the date of that exercise. For so long as the Company’s Shares are listed on the Official List, the Company will use its best endeavours to procure that the Shares issued following exercise of any awards are admitted to the Official List as soon as practicable after allotment.

Benefits obtained under the PSP are not pensionable.

#### *Adjustment of Awards*

The number of Shares under award and their nominal value and, where applicable, the exercise price may be adjusted by the Remuneration Committee in the event of:

- any capitalisation issue or rights issue (other than an issue of Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or rights offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital; or
- a demerger, special dividend or other similar event occurs which in the opinion of the Remuneration Committee would affect the share price of a Share to a material extent and where the Remuneration Committee has not exercised its discretion to allow the award to be exercised prior to the Vesting Date.

#### *Administration and amendment*

The PSP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the PSP. The rules of the PSP which relate to:

- the persons to whom Shares are provided under the PSP;
- the limits on the number of Shares which may be issued under the PSP;
- the maximum entitlement of any award holder;

- the basis for determining an award holder's entitlement to Shares or awards; and
- the basis for determining the adjustment of any award granted under the PSP following any increase or variation in the share capital of the Company,

cannot be amended to the advantage of any award holder or potential award holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the PSP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for award holders or any Group company.

In addition no amendment may be made to subsisting awards which will have an adverse affect on such awards except with the written consent of the award holders who hold awards over at least 75 per cent. of the total number of Shares subject to all such affected subsisting awards under the PSP or unless the amendment is a minor amendment to benefit the administration of the PSP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any award holder or any Group company.

#### *Termination*

The PSP may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further awards can be granted under the PSP after such termination. Termination shall not affect the outstanding rights of existing award holders.

### **11.5 *The Lakehouse plc Deferred Share Bonus Plan ("DSBP")***

#### *Status of the DSBP*

Awards granted under the DSBP will take the form of options to acquire Shares either at a price equal to the nominal value of the Shares or for nil consideration. The awards will have no beneficial tax status.

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 which they may become entitled to receive in respect of a financial year of the Company ("Bonus") can be deferred. The Remuneration Committee will have absolute discretion to determine what proportion of an employee's Bonus may be deferred and delivered in the form of an award under the DSBP but it is currently anticipated that at least one half of an eligible employee's Bonus will be deferred and delivered as an award under the DSBP.

The DSBP will be adopted by the Company with effect from Admission.

#### *Eligibility*

All employees (including executive directors) of the Company and any of its subsidiaries may be granted awards under the DSBP but only those employees for whom the Remuneration Committee has determined that a proportion of their Bonus should be deferred and should take the form of an award under the DSBP will be granted an award under the DSBP.

#### *Grant*

Awards may be granted during the period of 42 days commencing on: (a) the date the DSBP is adopted by the Company; (b) the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year (provided that if the Shares continue to be admitted to the Official List at the time in question, no award shall be granted during the first three Dealing Days following the date of any such announcement); or (c) any other time fixed by the Remuneration Committee, where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of awards.



If the grant of an award on any of the above days would be prohibited by virtue of the Model Code, or any statute or regulation or any order made pursuant to such statute, then such award may be granted during the period of thirty nine days commencing immediately after the third Dealing Day following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an award.

#### *Quantum of Awards*

The number of Shares placed under an award granted to an eligible employee will be such number of Shares as has a market value (measured at the date of grant) as near as possible equal to, but not exceeding, the amount of the Bonus that the Remuneration Committee has determined shall take the form of an award under the DSBP.

For these purposes, whilst the Shares are listed on the Official List (and have been so listed for at least three Dealing Days) the market value of a Share on any date shall be determined as the average of the middle market prices for a Share for the three consecutive Dealing Days immediately preceding the date in question.

#### *Plan Limits*

On any date, no award may be granted under the DSBP if, as a result, the aggregate nominal value of Shares issued or issuable pursuant to awards granted during the previous ten years under the DSBP or any other discretionary employees' share scheme (which excludes any Schedule 3 Save As You Earn Scheme, a Schedule 2 Share Incentive Plan or any other share option scheme of the Company which is linked to a contractual savings scheme) adopted by the Company would exceed five per cent of the nominal value of the share capital of the Company in issue on that date.

On any date, no award may be granted under the DSBP if, as a result, the aggregate nominal value of Shares issued or issuable pursuant to awards granted during the previous ten years under the DSBP or any other employees' share scheme adopted by the Company would exceed ten per cent of the nominal value of the share capital of the Company in issue on that date.

For the purposes of the limits set out above:

- any Shares which were subject to an award or other right (whether granted under the DSBP or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limits set out above;
- any Shares issued or then capable of being issued pursuant to any awards or rights obtained on or prior to Admission (whether under the DSBP or any other employees' share scheme adopted by the Company) shall not count towards the limits set out above;
- where an award (or other right granted under any other employee's share scheme operated by the Company) takes the form of a right to acquire Shares from an employee benefit trust established by the Company, such Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust for the purposes of the DSBP or any other employees' share scheme operated by the Company; and
- Shares held in treasury which are used to satisfy awards or other rights (whether under the DSBP or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Management Association to be so included for the purposes of such limits.

#### *Individual Limit*

Each individual's participation is limited so that, in any one financial year of the Company, the aggregate market value of Shares subject to all awards (calculated as at the date of grant of each



award) granted to the individual under the DSBP in that financial year, will not exceed 100 per cent of the individual's Bonus for that financial year.

#### *Performance Targets*

The ability to exercise any award granted under the DSBP or obtain Shares pursuant to such award will not be subject to the satisfaction of any performance target.

#### *Exercise and lapse of Awards*

Ordinarily, an award will become capable of exercise following the third anniversary of the date of grant of an award or such other date specified by the Remuneration Committee at the date of grant ("Vesting Date") provided that the award holder is still an employee within the Group.

After an award has become capable of exercise it may be exercised at any time up until the tenth anniversary of the date of grant of the award or until such earlier date specified by the Remuneration Committee at the date of grant of the award. This is subject to the caveat that awards may not be exercised during any prohibited period specified by the Model Code.

An award will lapse on the tenth anniversary of its date of grant unless it lapses sooner by virtue of an earlier lapse date being specified in relation to the award at the time of its grant or pursuant to another provision of the DSBP.

An award will generally lapse upon an award holder ceasing to be an employee of the Group.

However, if the award holder ceases to be employed within the Group by reason of his death, injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee) or retirement with the agreement of his employer or upon the sale or transfer out of the Group of the company or undertaking employing him or in any other circumstances at the discretion of the Remuneration Committee, then his award will become capable of exercise at the time of the cessation of the employment of the award holder or at such later date as the Remuneration Committee determines appropriate, (provided that in the case of any award in respect of which the Vesting Date has not occurred at the time of cessation of employment, such later date shall be a date which occurs no later than the Vesting Date of the award).

In either case, the number of Shares in respect of which the award will be capable of exercise over shall be pro-rated to reflect the part of the vesting period (being the period commencing on the date of grant of an award and ending on the Vesting Date relating to such Award ("Vesting Period")) which has elapsed as at the date of cessation of employment, unless the Remuneration Committee exercises its discretion so that no such pro-rating should apply to the award in question or that pro-rating should be applied to some lesser extent.

Awards which become capable of exercise following the cessation of employment of the award holder must be exercised within 12 months of the date that the award becomes capable of exercise and to the extent not exercised by the end of this period will lapse.

Awards shall also become capable of exercise earlier than the Vesting Date in the event of a takeover, a scheme of arrangement under Part 26 of the Companies Act 2006 being sanctioned by the court or the voluntary winding up of the Company ("Corporate Event"). In any such case, the number of Shares that an award may be capable of exercise over will normally be pro-rated to reflect the amount of the Vesting Period that has elapsed prior to the relevant Corporate Event. However, the Remuneration Committee has a discretion to ignore such prescribed pro-rating of the Shares, or to pro-rate to such lesser extent as it may decide.

An internal reorganisation will not normally trigger the ability to exercise any awards for which the Vesting Date has not occurred at the time of such internal reorganisation. Instead, in the event of an internal reorganisation all award holders will be given the opportunity to exchange each of their awards (irrespective of whether or not the Vesting Date for any award has occurred) for an award in the new holding company (subject to such new holding company's consent) unless the Remuneration

Committee determines otherwise in which case all such awards shall become capable of exercise in accordance with the provisions described above for a Corporate Event, as if the internal reorganisation was a takeover of the Company. Any award will lapse if the ability to exchange that award is offered to the award holder but the award holder declines to exchange the award for an award in the new holding company prior to the expiry of the period permitted by the Remuneration Committee for the exchange to take place.

If a proposed demerger, special dividend or other similar event is announced which, in the opinion of the Remuneration Committee, would affect the share price of a Share to a material extent, the Remuneration Committee may decide that all awards (irrespective of whether or not their respective Vesting Dates have occurred) will be capable of exercise in accordance with the provisions described above for a Corporate Event, as if the demerger, special dividend or other similar event in question was a takeover of the Company.

#### *Clawback*

At any time prior to the expiry of the three year period following the date of grant of an award the Remuneration Committee shall have the ability to reclaim the value (or part of the value) of the award. This ability shall be capable of exercise in any case where:

- there has been a material misstatement of the Company's financial results resulting in the award having been granted over a greater number of Shares than it should have been;
- an error has been made either in the document granting the award or in assessing the extent to which any performance target applying to the Bonus relating to the award has been met resulting in the award having been granted over a greater number of Shares than it should have been; or
- it is discovered that the award holder in question has, at any time on or prior to the Vesting Date of the award, committed serious misconduct.

In the event that this "clawback provision" is exercised, recovery of the value (or part of the value) of an award from the award holder may be made by way of a reduction in any future bonus, a reduction in the number of Shares subject to an existing award or that may be made subject to a future award under the DSBP or any option or award granted under any other employee share scheme operated by the Company (other than a Schedule 2 Share Incentive Plan, a Schedule 3 Save as you Earn Scheme or a Schedule 4 Company Share Option Scheme), and/or by the award holder making a cash payment to the Company.

#### *Dividends*

Until an award has been exercised and the Shares have been transferred or issued to the holder of the award, the award holder shall have no entitlement to any dividends or other distributions payable in respect of the Share subject to the award.

The Remuneration Committee has a discretion, however, which must be exercised at the time of grant of an award, to permit award holders to receive the benefit of dividends paid by the Company on Shares during the period commencing on the date of grant of the award and ending on the Vesting Date relating to that award. If the Remuneration Committee exercises such discretion then on the exercise of an award the award holder may receive either:

- such number of additional Shares ("Dividend Equivalent Shares") as could have been acquired over the period from the date of grant of the award to its Vesting Date at the prevailing market value on each dividend payment date with the amount of dividends that the award holder would have received in respect of the Shares over which the award is capable of exercise; or
- a cash payment equal to the market value of the Dividend Equivalent Shares (such market value to be measured on the date that such Dividend Equivalent Shares would have been transferred

to the award holder, but for the Remuneration Committee's decision to make such a cash payment instead ("Dividend Cash Payment").

Dividend Equivalent Shares that have been issued and any Dividend Equivalent Shares that have been notionally added to an award shall be taken into account for the purposes of applying the plan limits set out above. Any potential right to receive additional Dividend Equivalent Shares in the future shall not, however, be taken into account.

To the extent that an award does not become exercisable in relation to any Shares, the award holder shall cease to be entitled to receive the Dividend Cash Payment or the Dividend Equivalent Shares which relate to the Shares over which the award cannot be exercised.

#### *Other Award Terms*

Awards may be satisfied by the issue of Shares or the transfer of Shares held by the trustee of the EBT (which may have been acquired by the trustee by way of market purchase or by way of subscription from the Company) or the transfer of treasury shares.

Awards are not capable of transfer or assignment.

Until awards are exercised, award holders have no voting or other rights in relation to the Shares subject to those awards.

Shares allotted pursuant to the exercise of an award will rank *pari passu* in all respects with the Shares already in issue. Shares transferred on the exercise of an award shall be transferred without the benefit of any rights attaching to the Shares by reference to a record date preceding the date of that exercise. For so long as the Company's Shares are listed on the Official List, the Company will use its best endeavours to procure that the Shares issued following exercise of any awards are admitted to the Official List as soon as practicable after allotment.

Benefits obtained under the DSBP are not pensionable.

#### *Adjustment of Awards*

The number of Shares under an award and their nominal value and, where applicable, the exercise price may be adjusted by the Remuneration Committee in the event of:

- any capitalisation issue or rights issue (other than an issue of Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or rights offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital; or
- a demerger, special dividend or other similar event occurs which in the opinion of the Remuneration Committee would affect the share price of a Share to a material extent and the Remuneration Committee has not exercised its discretion to allow the award to be exercised prior to the Vesting Date.

#### *Administration and Amendment*

The DSBP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the DSBP. The rules of the DSBP which relate to:

- the persons to whom Shares are provided under the DSBP;
- the maximum entitlement of an award holder;
- the limits on the number of Shares which may be issued under the DSBP;
- the basis for determining an award holder's entitlement to Shares or awards; and

- the basis for determining the adjustment of any award granted under the DSBP following any increase or variation in the share capital of the Company,

cannot be amended to the advantage of any award holder or potential award holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the DSBP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for award holders or any Group company.

In addition no amendment may be made to subsisting awards which will have an adverse affect on such awards except with the written consent of the award holders who hold awards over at least 75 per cent. of the total number of Shares subject to all such affected subsisting awards under the DSBP or unless the amendment is a minor amendment to benefit the administration of the DSBP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any award holder or any Group company.

#### *Termination*

The DSBP may be terminated at any time by resolution of the Remuneration Committee and shall in any event terminate on the tenth anniversary of its adoption so that no further awards can be granted under the DSBP after such termination. Termination shall not affect the outstanding rights of existing award holders.

### **11.6 *The Lakehouse plc Employee Benefit Trust (“EBT”)***

The EBT was established by the Company on 4 March 2015.

The EBT is constituted by a trust deed entered into between the Company and the trustee (“EBT Trustee”). The Company will have the power to appoint and remove the EBT Trustee. The EBT Trustee is an offshore trustee.

The EBT is a discretionary settlement set up for the benefit of employees and former employees (and their immediate dependants) of the Company and its subsidiaries.

The EBT Trustee may either purchase existing shares in the Company in the market or subscribe for new shares in the Company. It is proposed that such shares will predominantly be used for the purposes of the employee share schemes established by the Company.

In accordance with the guidelines issued by the Association of British Insurers, the maximum number of shares in the Company which may be held by the EBT Trustee at any time, when added to the number of Shares then held by the trustee of any other trust established by the Company, may not exceed 5 per cent of the Company’s issued ordinary share capital at that time.

## **12. *Placing Agreement and Lock-up arrangements***

On 18 March 2015, the Company, the Directors, the Selling Shareholders and Peel Hunt entered into the Placing Agreement. Pursuant to the Placing Agreement:

- 12.1 the Company confirmed the appointment of Peel Hunt as sponsor, sole bookrunner and broker in connection with the application for Admission and the Offer;
- 12.2 the Company has agreed, subject to certain conditions, to allot and issue, at the Offer Price, the New Shares to be issued in connection with the Offer;
- 12.3 allocations of the Offer Shares among prospective investors will be determined by Peel Hunt in consultation with the Company in accordance with an allocation policy to be determined by Peel Hunt;
- 12.4 the Selling Shareholders have agreed, subject to certain conditions, to sell, at the Offer Price, the Existing Shares to be sold in connection with the Offer;

- 12.5 Peel Hunt has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the New Shares and purchasers for the Existing Shares at the Offer Price, provided that, in the event that it fails to procure such purchasers or subscribers, it shall not be obliged itself to subscribe for such New Shares and/or to purchase such Existing Shares at the Offer Price, save to the extent that Peel Hunt has procured such subscribers and purchasers and any such subscriber and/or purchaser fails to fulfil their contractual commitment to subscribe for and/or purchase any Offer Shares, in which case Peel Hunt shall be obliged to subscribe for and/or purchase the relevant Offer Shares;
- 12.6
- 12.6.1 the Company has undertaken to pay to Peel Hunt on the Closing Date a commission of an amount equal to 2.5 per cent. of the Offer Price multiplied by the total number of New Shares;
- 12.6.2 each of the Selling Shareholders has severally undertaken to pay to Peel Hunt on the Closing Date a commission of an amount equal to 2.5 per cent. of the Offer Price multiplied by the total number of Existing Shares sold by the relevant Selling Shareholder in the Offer;
- 12.6.3 a discretionary commission of an amount equal to one per cent. on each of the amounts referred to below shall, at the absolute discretion of Stuart Black (in his capacity as Executive Chairman of the Company), be paid to Peel Hunt by:
- 12.6.3.1 the Company, on an amount equal to the product of the Offer Price and the number of New Shares subscribed for pursuant to the Offer and on an amount equal to 50 per cent. of the product of the Offer Price and the number of Existing Shares sold pursuant to the Offer; and
- 12.6.3.2 the Selling Shareholders, on an amount equal to 50 per cent. of the product of the Offer Price and the number of Existing Shares sold pursuant to the Offer. The Selling Shareholders shall be severally liable for the payment of such discretionary commission pro rata to the number of Existing Shares sold by them pursuant to the Offer, and Peel Hunt shall be reimbursed by the Company in the event of any failure by a Selling Shareholder to pay its or his share of such commission; and
- 12.6.4 the Company has undertaken to pay to Peel Hunt a corporate finance fee of £200,000;
- 12.7 the obligations of Peel Hunt to use its reasonable endeavours to procure subscribers and/or purchasers for the New Shares and the Existing Shares (as the case may be) are subject to certain conditions. These conditions include the absence of any breach of warranty or undertaking given by the Company, the Directors or the Selling Shareholders under the Placing Agreement and Admission occurring by no later than 8.00 a.m. (London time) on 23 March 2015 (or such later time and/or date as Peel Hunt and the Company may agree but, in any event, no later than 8.00 a.m. on 31 March 2015). In addition, Peel Hunt has the right to terminate the Placing Agreement, exercisable in certain circumstances, prior to Admission. The circumstances include, among others, the occurrence of certain material adverse changes in the condition (financial, operational, legal or otherwise) or in the earnings, business affairs, value, management, reputation of the Company and/or any other member of the Group, and certain changes in financial, political or economic conditions. If this right is exercised, the Offer will lapse, the Company will not seek Admission and any moneys received from investors in respect of the Offer will be returned without interest;
- 12.8 to the extent permitted by law, the Company has agreed to pay certain of the costs, charges, fees and expenses relating to the Offer (together with any related value added tax) and the Selling Shareholders have agreed to pay any stamp duty payable on the transfer of the Existing Shares;
- 12.9 each of the Company, the Directors and the Selling Shareholders has given certain warranties and undertakings to Peel Hunt. The liability of each of the Directors and the Selling Shareholders in respect of any breach of warranties and undertakings is limited as to time and amount. The liability

of the Company in respect of any breach of warranties and undertakings is not limited as to time or amount;

- 12.10 the Company has given an indemnity covering certain customary matters to Peel Hunt. The liability of the Company under the indemnity is not limited as to time or amount;
- 12.11 the parties to the Placing Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions;
- 12.12 the Company has given certain undertakings to Peel Hunt including an undertaking that it will not, without the prior written consent of Peel Hunt, directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as any of the foregoing during the period of 180 days from the date of Admission (except in connection with or pursuant to any of the Share Incentive Schemes);
- 12.13 each of the Directors and the Selling Shareholders who hold Shares as at Admission has agreed that, during the period following Admission and expiring on the date which is 30 days from the date on which the Group's interim results for the six month period ending 31 March 2016 are published, subject to certain customary exceptions and certain exceptions in relation to Shares acquired pursuant to the Share Incentive Schemes, he or she will not, directly or indirectly, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as the foregoing; and
- 12.14 in addition, each of the Directors and the Selling Shareholders who hold Shares as at Admission have agreed that, for a further period following the expiry of their lock-up periods referred to above and expiring on the day after publication of the Company's pre-close trading statement in connection with the publication of the Company's interim results for the six month period ending 31 March 2017, subject to certain customary exceptions and certain exceptions in relation to Shares acquired pursuant to the Share Incentive Schemes, he or she will not, directly or indirectly, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering of any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect as the foregoing other than through Peel Hunt with a view to maintaining an orderly market in the Company's securities.

### **13. Material contracts**

Set out below is a summary of (a) each material contract (other than a contract in the ordinary course of business) to which the Company or another member of the Group is a party which has been entered into within the two years immediately preceding the date of this Prospectus; and (b) any other contract (other than a contract in the ordinary course of business) entered into by the Company or another member of the Group which contains a provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus.

#### **13.1 *Share-for-Share Exchange Agreement***

In connection with the Pre-IPO Reorganisation, on 13 February 2015, the Company and the majority of Lakehouse Holdings shareholders (either personally or by duly appointed attorneys) entered into the Share-for-Share Exchange Agreement (which was amended pursuant to a deed of amendment entered into on 17 March 2015) and, on 17 March 2015, the remaining Lakehouse Holdings shareholders (either personally or by duly appointed attorneys) entered into the Share-for-Share



Exchange Agreement (completion being conditional upon the Lakehouse Directors resolving to proceed with an IPO pursuant to the relevant provisions of the Intermediate Articles to be adopted pursuant to the resolutions referred to at paragraph 3.5 above) pursuant to which each of the Lakehouse Holdings shareholders agreed to sell their entire holdings of Lakehouse Holdings Ordinary Shares, Lakehouse Holdings A Ordinary Shares, Lakehouse Holdings B Ordinary Shares, Lakehouse Holdings C Ordinary Shares, Lakehouse Holdings D1 Ordinary Shares and Lakehouse Holdings D2 Ordinary Shares in consideration for the issue to them of a corresponding number of Ordinary Shares, A Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D1 Ordinary Shares and D2 Ordinary Shares.

### **13.2 *Placing Agreement and lock-up arrangements***

Details of the Placing Agreement and lock-up arrangements for the Selling Shareholders are set out at paragraph 12 above.

### **13.3 *Non-Selling Shareholder lock-up arrangements***

On 18 March 2015, a single Shareholder who will hold Shares as at Admission and who is not selling Existing Shares under the Offer entered into a lock-up agreement with Peel Hunt, pursuant to which such Shareholder agreed to be subject to lock-up arrangements based substantially on the terms of the lock-up arrangements to which the Selling Shareholders are subject under the Placing Agreement, details of which are set out at paragraph 12 above.

### **13.4 *Revolving credit facility***

On 8 December 2014, a four-year secured revolving credit facility (the “RCF”) was entered into between, initially, (1) Lakehouse Contracts Limited, as original borrower, (2) each of Lakehouse Holdings Limited (the “Company”), Lakehouse Contracts Limited, K&T Heating Services Limited, Allied Protection Limited, Foster Property Maintenance Limited, H2O Nationwide Limited and Everwarm Ltd as original guarantors, The Royal Bank of Scotland plc as arranger, agent and security trustee and National Westminster Bank plc as original lender, pursuant to which the lenders named therein agree to make available to the borrowers named therein up to £30,000,000 on a revolving basis. The Company may have up to five individual loans outstanding at any time, and has the ability to draw up to £5,000,000 of the RCF limit in various ancillary forms. In addition, the RCF recognises the existence of certain other bilateral ancillary facilities including an overdraft facility, which sit outside of the RCF itself.

Post-Admission, the lenders may at their discretion agree to a request by the Company for an extension of the RCF by a further year. The purpose of the RCF is to refinance existing facilities and to provide funding for the general working capital requirements of the Group and other general corporate items including permitted acquisitions and deferred consideration relating thereto.

The original guarantors have provided a standard guarantee and indemnity within the RCF and the Group has granted fixed and floating security (including security over certain real estate, assignments of contractual rights including under various Group insurance policies and share pledges) in favour of the security trustee on behalf of the lenders pursuant to an English law debenture and, with respect to Everwarm Ltd, floating security pursuant to a Scots law floating charge.

The RCF is based on the Loan Market Association standard form and contains customary representations, warranties and covenants for a facility of this nature (including financial covenants requiring the Company to maintain an interest coverage ratio of 4.0:1 and an adjusted leverage ratio of 2.0:1). Various provisions of the RCF apply differently in a pre- and post-IPO environment recognising that post-IPO the Company will be subject to the listing rules and other requirements (for example, change of control, financial reporting, permitted acquisitions, permitted joint ventures, permitted payments).

As at 13 March 2015, being the latest practicable date prior to the date of this Prospectus, the amount drawn under the RCF was approximately £17 million.



### **13.5 Acquisition of Allied Protection**

On 2 November 2012, Lakehouse Holdings entered into a share purchase agreement (the “Allied SPA”) with Jamie Dawson, Luke Finney, Timothy Dawson and Jeremy Malet (together, the “Allied Sellers”), pursuant to which it acquired the entire issued share capital of Allied Protection.

The Allied SPA contained certain warranties and undertakings given by the Allied Sellers for the benefit of Lakehouse Holdings. The liability of each of the Allied Sellers in respect of any breach of warranties and undertakings is limited as to time and amount. Claims under the general warranties may be made by Lakehouse Holdings during the period expiring on 2 November 2015 and, in the case of a claim under the tax warranties or tax covenant, during the period expiring on 2 November 2019 expiring seven years from the end of the accounting period of the Company in which completion occurred, being 30 September 2020. The aggregate liability of the Allied Sellers is capped at the amount of consideration paid by Lakehouse Holdings to the Allied Sellers at the date of settlement.

The initial consideration payable by Lakehouse Holdings to the Allied Sellers under the Allied SPA was £2,790,315.50 along with an undertaking to pay an additional £209,684.50 to the Allied Sellers to be settled at such time or times and in such manner as Lakehouse Holdings may determine as well as the payment in cash of £1,160,000 to the Allied Sellers in four equal instalments on each anniversary of the date of completion. In addition, the Allied SPA provides that part of the consideration (the “Allied Deferred Consideration”) for the transaction is to be calculated following the financial year of Allied Protection ending on 30 September 2015. The Allied Deferred Consideration will be an amount of £2,700,000, adjustable upwards or downwards by reference to the profits of Allied Protection after interest and tax, but before depreciation and amortisation (the “Allied Profits”). The maximum amount of the Allied Deferred Consideration has been fully provided for.

### **13.6 Acquisition of Foster Property Maintenance**

On 21 October 2013, Lakehouse Contracts entered into a share purchase agreement (the “Foster SPA”) with John Patterson Foster, Sheila Foster and Steven John Charles Foster (together, the “Foster Sellers”), pursuant to which it acquired the entire issued share capital of Foster Property Maintenance.

The Foster SPA contained certain warranties and undertakings given by the Foster Sellers for the benefit of Lakehouse Contracts. The liability of each of the Foster Sellers in respect of any breach of warranties and undertakings is limited as to time and amount. Claims under the general warranties may be made by Lakehouse Contracts during the period expiring on 21 October 2016 and, in the case of a claim under the tax warranties or tax covenant, during the period expiring seven years from the end of the accounting period of the Company in which completion occurred, being 30 September 2021. The aggregate liability of the Foster Sellers is capped at the amount of consideration paid to or directed by the Allied Sellers.

The initial consideration payable by Lakehouse Contracts to the Foster Sellers under the Foster SPA was £10,984,212, in aggregate. In addition, the Foster SPA provides that part of the consideration (the “Foster Deferred Consideration”) for the transaction is to be calculated following the financial year of Foster ended on 31 March 2014. The Foster Deferred Consideration is calculated by reference to the profits of Foster. An initial amount, representing 50 per cent. of the Foster Deferred Consideration (£9,739,274) was paid on 17 June 2014. The remaining 50 per cent. of the Foster Deferred Consideration, assuming the relevant profit target is met, is payable in three equal instalments as follows: £3,246,424 on 17 December 2014, £3,246,424 on 17 March 2015 and £3,246,426 on 15 June 2015. The payment of the remaining instalments of the Foster Deferred Consideration have been fully provided for.

### **13.7 Acquisition of Everwarm**

On 13 March 2014, Lakehouse Holdings entered into a share purchase agreement (the “Everwarm SPA”) with Michael McMahon, Kennedy Saunders and Lydia Graham (together, the “Everwarm Sellers”), pursuant to which it acquired the entire issued share capital of Everwarm.

The Everwarm SPA contained certain warranties and undertakings given by the Everwarm Sellers for the benefit of Lakehouse Holdings and by Lakehouse Holdings for the benefit of the Everwarm Sellers. Save in the case of a claim arising as a result of a fraud or fraudulent misrepresentation on the part of Lakehouse Holdings, or a claim relating to the title to, or freedom from encumbrances of, the consideration shares, information provided on the Lakehouse group or Lakehouse Holdings' capacity to enter into the Everwarm SPA, for which Lakehouse Holdings' liability is uncapped, the liability of each of the Everwarm Sellers and Lakehouse Holdings in respect of breaches of warranty and undertakings is limited as to time and amount. Claims under the general warranties given by the Everwarm Sellers may be made by Lakehouse Holdings during the period expiring on 17 April 2016 and, in the case of a claim under the tax warranties or tax covenant, during the period expiring on 17 April 2021. Claims for breach of the warranties given by Lakehouse Holdings may be made by the Everwarm Sellers during the period expiring on 17 April 2014. The aggregate liability of Lakehouse Holdings in respect of the warranties given by it and of the Everwarm Sellers in respect of the warranties given by them is capped at the higher of £5,000,000 and the aggregate of the cash of Everwarm at completion, which occurred on 17 April 2014, less debt at completion and the current assets (excluding cash) less the aggregate current liabilities as at completion less £7,500,000, with each of the Everwarm Sellers bearing their proportionate share of that amount in respect of each claim, based on the amount of the consideration to which they were entitled under the Everwarm SPA.

The consideration payable by Lakehouse Holdings to the Everwarm Sellers was a cash payment of £9,000,000 and the allotment and issue, credited as fully paid, to the Everwarm Sellers of 5,380,000 D1 ordinary shares in the capital of the Company of £0.00000127581 each. The consideration payable was subject to upward or downward adjustment subject to the existence at completion of certain claims of Lakehouse Holdings in respect of breach of certain terms of the Everwarm SPA (all such claims and each individual such claim being a "Retention Claim"). No such Retention Claims have been made by Lakehouse Holdings as at the date of this Prospectus.

### 13.8 *Acquisition of H2O Nationwide*

On 3 October 2014, Lakehouse Contracts entered into a share purchase agreement (the "H2O Nationwide SPA") with Steven Lorrigan and Martin Stevenson (together, the "H2O Nationwide Sellers"), pursuant to which it acquired the entire issued share capital of H2O Nationwide.

The H2O Nationwide SPA contained certain warranties and undertakings given by the H2O Nationwide Sellers for the benefit of Lakehouse Contracts. The liability of each of the H2O Nationwide Sellers in respect of any breach of warranties and undertakings is limited as to time and amount. Claims under the general warranties may be made by Lakehouse Contracts during the period expiring on 3 October 2017 and, in the case of a claim under the tax warranties or tax covenant, during the period expiring on the date which is seven years from the end of the accounting period of the Company in which completion occurred, being 30 September 2022. The aggregate liability of the H2O Nationwide Sellers is capped at the amount of consideration paid by Lakehouse Contracts to the H2O Nationwide Sellers at the date of settlement.

The consideration payable by Lakehouse Contracts to the H2O Nationwide Sellers under the H2O Nationwide SPA was £6,141,155 plus an amount of deferred consideration (the "H2O Nationwide Deferred Consideration"). The consideration is to be satisfied by an initial payment of £2,750,000 in cash on completion on 3 October 2014, followed by a payment of £1,986,417 in cash within five business days of completion and then the payment of £1,404,738 in three instalments of £441,458, £467,725 and £495,555 on each subsequent anniversary of completion. The remaining instalments to be paid as at the date of this Prospectus have been fully provided for. In addition, the H2O Nationwide SPA provides that the H2O Nationwide Deferred Consideration for the transaction is to be calculated following the end of the financial year ending 30 September 2017 on the basis of a multiple of the amount by which the relevant profits of H2O Nationwide for each of the financial years ending 30 September 2015, 30 September 2016 and 30 September 2017 exceed a target of £1,096,886. The maximum amount of the H2O Nationwide Deferred Consideration will be an amount of £2,000,000. The maximum amount of the H2O Nationwide Deferred Consideration has been fully provided for.

#### **14. Related party transactions**

- 14.1 Save as set out below, there are no related party transactions that were entered into by members of the Group during the period covered by the financial information contained in Part 10 (Historical Financial Information) and during the period from 1 October 2014 to 18 March 2015, being the date of this Prospectus.
- 14.1.1 The Group leases its head office premises in Romford, Essex, from Maison du Lac Limited, a company of which Steve Rawlings and Paul King are directors and shareholders. The lease is on arm's length terms and the annual rent payable in respect of the premises has been determined based on an independent rental valuation.
- 14.1.2 The Company's subsidiary, Allied Protection, leases premises in Burgess Hill, West Sussex, from Alex Lloyd LLP, a limited liability partnership of which Jamie Dawson, Managing Director of Allied Protection, and his brother, Tim Dawson, who is Finance Director and a director of Allied Protection, are directors and members. The lease is on arm's length terms and the annual rent payable in respect of the premises has been determined based on an independent rental valuation.
- 14.1.3 The Company's subsidiary, Foster Property Maintenance, leases premises in Wisbech, Cambridgeshire, from Foster Property Developments Limited, a company of which Steve Foster, Managing Director of Foster Property Maintenance, is both a director and 50 per cent. shareholder. The lease is on arm's length terms and the annual rent payable in respect of the premises has been determined based on an independent rental valuation.
- 14.1.4 The Company's subsidiary, Everwarm, leases premises in Bathgate, West Lothian, from Xafinity Pension Trustees Limited (as corporate trustee of the Everwarm Group SIPP). Michael McMahon, Lydia Graham, Kennedy Saunders and Robert Stirling, all of whom are directors of Everwarm, are the beneficiaries of the Everwarm Group SIPP. The lease is on arm's length terms and the annual rent payable in respect of the premises has been determined based on an independent rental valuation.
- 14.1.5 Steve Foster is a director and 50 per cent. shareholder of Foster Renewable Energies Limited, a company which provides sub-contractor services to Foster Property Maintenance, a subsidiary company. The contract pursuant to which such services are provided is on arm's length terms, including prices which are within prevailing market parameters.
- 14.1.6 Steve Foster's brother is the proprietor of Purple Pig, a business supplying marketing and promotional services to Foster Property Maintenance, a subsidiary of the Company. The contract pursuant to which such services are provided is on arm's length terms, including prices which are within prevailing market parameters.
- 14.1.7 Steve Rawlings is a director of Building Lives for the Future, which has a commercial relationship with the Group.
- 14.1.8 Carol King, sister of Steve Rawlings and an employee of Lakehouse and company secretary of Lakehouse Design & Build Limited, has a loan agreement in place with Lakehouse Contracts. She has undertaken to repay the loan in full using the proceeds from the sale of her Existing Shares under the Offer.
- 14.1.9 The Company's subsidiary, H2O Nationwide, leases premises in Basildon from Steve Lorriman, managing director and a director of H2O Nationwide.
- 14.1.10 Energy Advice & Consultancy Limited, a company controlled by Robert Graham, the husband of the director of Everwarm, Lydia Graham, provided services at normal commercial rates to Everwarm.

14.1.11 Steve Lorrimer's wife, is a director and 50 per cent. shareholder of Cavendish Laboratories Limited which undertakes testing services for H2O Nationwide, which Steve Lorrimer is a director of.

14.1.12 Certain family members of certain Directors and Senior Managers are employed by members of the Group in various capacities. The Directors consider that all such employment arrangements are on arm's length terms and, in aggregate, are not material in the context of the Group, taken as a whole.

## **15. Litigation**

Save as set out in this paragraph 15, there are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the Company's and/or the Group's financial position or profitability.

15.1 Lakehouse Contracts is the subject of threatened litigation with an estimated value of approximately £7.0 million. Haberdashers Aske has threatened to make a collateral warranty claim for negligence and breach of duty against Lakehouse Contracts in respect of losses associated with the complete destruction of a school in a fire and Lakehouse Contracts' alleged failure to implement measures to prevent the fire.

Bluefin Group, Lakehouse Contracts' insurance broker, has provided e-mail correspondence to Lakehouse Contracts, which confirms that its insurance provider (QBE Underwriting Limited) is 'willing to fund the defence of the claim' and to 'provide an indemnity to Lakehouse Contracts in respect of the loss'. Sedgewick law has been engaged in on-going pre-action exchanges. Lakehouse Contracts is also pursuing a back-to-back indemnity claim in respect of the full value in dispute against Cambridge Polymer Roofing Limited, who were Lakehouse Contracts' subcontractors on the project.

15.2 The Company is aware of alleged frauds relating to two specific contracts for a particular client having been carried out in 2013 and 2014 by certain employees of the Company and certain sub-contractors to the Company, working in collusion with a consultant engaged by that client to oversee specific works carried out under those contracts. Having been informed by the Company, the client commenced an investigation into the alleged frauds. As far as the Company is aware, the alleged frauds related to the "over-payment" by the client for works undertaken by certain sub-contractors, the non-performance of contracted works or the performance of works to a standard below the requisite contract requirement by the sub-contractors and the subsequent processing of invoices representing works not completed and outside the scope of the relevant contracts. Since becoming aware of these issues, the Company has co-operated fully with the client's investigations and those of the police into the alleged fraudulent activities of the individuals concerned, including the employees of the Company. The Group continues to perform other contracts for the client and is working with it to undertake the works not performed under the two affected contracts and to rectify the works carried out below the requisite standards. The Company has made a provision in its accounts for the year ended 30 September 2014 of £3,000,000 comprising £1,500,000 in respect of monies retained by the client and/or anticipated to be repaid to the client, £1,000,000 in respect of remedial works to be carried out at the Company's expense and £500,000 in respect of legal and other fees incurred. The Company has terminated its contract with the relevant sub-contractors and dismissed the two employees involved in the alleged frauds. The Directors of the Company, having taken legal advice, believe that the prospect of any prosecution of the Company in relation to these matters to be low. Whilst no charges have currently been brought against any of the individuals involved, the Company is aware that investigations by both the client and the police of the actions of these individuals are ongoing and it intends to continue to co-operate with such investigations and to support any action taken against such individuals. In light of these events, the Company instructed its external legal advisers to conduct a review of documentation in connection with the alleged frauds and to review the Group's internal compliance controls, policies and procedures to ensure that these are

sufficiently robust. Having considered the conclusions of this review and implemented its recommendations, the Company is confident that it has taken appropriate action in order to mitigate its position in relation to the alleged fraudulent activities and that its controls, policies and procedures are robust, fit for purpose and capable of preventing and/or identifying any future risks.

## 16. Principal subsidiaries

The Company will, on Admission, be the holding company of the Group. The following table shows details of the Company's principal subsidiaries, all of which are wholly-owned (directly or indirectly) by the Company. The issued share capital of each of these companies is fully paid and each will be included in the consolidated accounts of the Group.

<i>Name of Subsidiary</i>	<i>Incorporated and registered in</i>	<i>Proportion of share capital owned by the Group (%)</i>
Lakehouse Holdings Limited	England and Wales	100
Lakehouse Design & Build Limited	England and Wales	100
Lakehouse Contracts Limited	England and Wales	100
Lakehouse Property Investments Limited	England and Wales	100
Everwarm Limited	Scotland	100
K&T Heating Services Limited	England and Wales	100
Allied Protection Limited	England and Wales	100
Foster Property Maintenance Limited	England and Wales	100
H2O Nationwide Limited	England and Wales	100

## 17. Investments and principal establishments

- 17.1 The Company currently has no principal investments (in progress or planned for the future on which the Directors have made firm commitments or otherwise) other than the subsidiary undertakings listed at paragraph 16 of this Part 14.
- 17.2 The principal establishments of the Group as at the date of this Prospectus are set out at paragraph 7 of Part 5 (Information on the Company and the Group) of this Prospectus.

## 18. Working capital

The Company is of the opinion that, taking into account the bank and other facilities available to the Group and the net proceeds receivable from the Offer, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months following the publication of this Prospectus.

## 19. Significant change

- 19.1 There has been no significant change in the trading or financial position of the Company since 28 January 2015, being the date on which the Company was incorporated.
- 19.2 There has been no significant change in the trading or financial position of the Operating Group since 30 September 2014, being the date to which the historical financial information for the Operating Group set out in Section A of Part 10 (Historical Financial Information) of this Prospectus was prepared.

## 20. Consents

- 20.1 Deloitte LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its reports on the historical financial information set out in Part A of Sections A, B and C of Part 10 (Historical Financial Information) of this Prospectus and its report on the pro forma financial



information set out in Section C of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus in the form and context in which they appear and has authorised the contents of those reports solely for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

- 20.2 Peel Hunt has given and has not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which they appear.
- 20.3 PMSI has given and has not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which they appear and has authorised the inclusion in this Prospectus of the information provided by it (where indicated) solely for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. For the purposes of Prospectus Rule 5.5.3R(2)(f), PMSI accepts responsibility for the information provided by it for inclusion in this Prospectus and has taken all reasonable care to ensure that such information is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

## **21. Statutory Auditors**

The Group's auditors are Deloitte LLP of City House, 126-130 Hills Road, Cambridge CB2 1RY who is a member firm of the Institute of Chartered Accountants in England and Wales.

## **22. Miscellaneous**

- 22.1 Whilst there are no provisions in the Articles that require disclosure of shareholding ownership, the Disclosure and Transparency Rules require a member to notify the Company if the voting rights held by such member (including by way of certain financial instruments) reach, exceed or fall below three per cent. and each one per cent. threshold thereafter up to 100 per cent. Under the Disclosure and Transparency Rules, certain voting rights in the Company may be disregarded.
- 22.2 The financial information contained in this Prospectus does not constitute full statutory accounts as referred to in section 434(3) of the Companies Act.
- 22.3 The total expenses of the Offer and Admission, whether incidental or otherwise, payable by the Company, including the London Stock Exchange fee, the FCA's listing fee, professional fees and the costs of preparation, printing and distribution of documents, are estimated to amount to approximately £7.5 million (inclusive of recoverable VAT).
- 22.4 Each Share will be offered at a premium of approximately £0.79 to its nominal value of £0.10 each.
- 22.5 No Shares have been marketed to, nor are available for purchase in whole or in part by, the public in the United Kingdom or elsewhere in conjunction with the Offer and this Prospectus does not constitute an offer, or the solicitation of an offer, to the public in the United Kingdom to subscribe for or buy any securities in the Company or any other entity.

## **23. Takeover bids**

The City Code is issued and administered by Takeover Panel. The Company is subject to the City Code and therefore its Shareholders are entitled to the protections afforded by the City Code.

## **24. Mandatory bids**

Rule 9 of the City Code provides that, except with the consent of the Takeover Panel, when: (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with it are interested) carry 30 per cent. or more of the voting rights of a company; or (b) any person, together with persons acting in concert with it, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with it, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which it is interested, then, in either case, that person, together with the persons acting in concert with it, is normally required to extend offers in cash, at the highest price paid by it (or any persons acting in concert with it) for shares in the company within the preceding 12 months, to the holders of any

class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

## **25. Squeeze-out**

Under the Companies Act, if a “takeover offer” (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Shares to which the takeover offer relates (the “Takeover Offer Shares”) and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it is able to acquire compulsorily the remaining 10 per cent. In order to do so, it would send a notice to Shareholders who had not, at such time, accepted the offer telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for those Shareholders in the event that they had not accepted the offer at such time. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

## **26. Sell-out**

The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Shares and at any time before the end of the period within which the offer could be accepted the offeror held, or had agreed to acquire, not less than 90 per cent. of the Shares to which the offer related, any holder of Shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those Shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his or her rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

## **27. Documents available for inspection**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and English public holidays excepted) for a period of 12 months from Admission at the registered office of the Company (1 King George Close, Romford, Essex RM7 7LS) and at the offices of Eversheds LLP (One Wood Street, London EC2V 7WS):

- 27.1 the Articles;
- 27.2 the historical financial information in respect of the Operating Group for the three financial years ended 30 September 2012, 30 September 2013 and 30 September 2014, together with the related report thereon from Deloitte LLP, which is set out in Section A of Part 10 (Historical Financial Information) of this Prospectus;
- 27.3 the historical financial information in respect of Foster Property Maintenance for the period from 1 October 2011 to its acquisition by the Operating Group on 21 October 2013, together with the related report thereon from Deloitte LLP, which is set out in Section B of Part 10 (Historical Financial Information) of this Prospectus;
- 27.4 the historical financial information in respect of Everwarm for the period from 10 October 2011 to its acquisition by the Operating Group on 16 April 2014, together with the report thereon from Deloitte LLP, which is set out in Section C of Part 10 (Historical Financial Information) of this Prospectus;
- 27.5 the report prepared by Deloitte LLP on the pro forma financial information set out in Section C of Part 11 (Unaudited Pro Forma Financial Information) of this Prospectus;
- 27.6 the letters of consent referred to in paragraph 20 above; and
- 27.7 this Prospectus.



For the purposes of PR 3.2.4 of the Prospectus Rules, copies of this Prospectus will be published in printed form and available free of charge during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) until the close of business on the date of Admission at the registered office of the Company (1 King George Close, Romford, Essex RM7 7LS) and the offices of Peel Hunt LLP (Moor House, 120 London Wall, London EC2Y 5ET). In addition, the Prospectus will be published in electronic form and available on the Company's website ([www.lakehouse.co.uk](http://www.lakehouse.co.uk)), subject to access restrictions.

Dated: 18 March 2015

## PART 15

### DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

<b>“2010 PD Amending Directive”</b>	2010 EU directive (2010/73/EU) which amended the Prospectus Directive;
<b>“Adjusted EBITA”</b>	earnings before interest, tax and amortisation, adjusted as described in paragraph 7 of Part 8 (Operating And Financial Review) of this Prospectus;
<b>“Admission”</b>	the admission of the Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
<b>“Admission and Disclosure Standards”</b>	the current edition of the Admission and Disclosure Standards published by the London Stock Exchange;
<b>“Admission Options and Awards”</b>	The options and awards granted on, shortly prior to or shortly after Admission pursuant to the Share Incentive Schemes;
<b>“Allied Protection”</b>	Allied Protection Limited, a company incorporated in England and Wales with registered number 2504054;
<b>“A Ordinary Shares”</b>	A ordinary shares of £317.45 each in the capital of the Company following completion of the Share-for-Share Exchange Agreement, having the rights set out in the Intermediate Articles;
<b>“Articles of Association” or “Articles”</b>	the articles of association of the Company which were adopted by a special resolution passed on 17 March 2015 (and as amended from time to time after that date);
<b>“Audit Committee”</b>	the audit committee of the Board;
<b>“Board”</b>	the board of Directors;
<b>“B Ordinary Shares”</b>	B ordinary shares of £317.25 each in the capital of the Company following completion of the Share-for-Share Exchange Agreement, having the rights set out in the Intermediate Articles;
<b>“Capita Asset Services”</b>	a trading name of Capita Registrars Limited;
<b>“certificated” or “in certificated Form”</b>	a share or other security (as appropriate) not in uncertificated form (that is, not in CREST);
<b>“Chairman”</b>	the chairman of the Board;
<b>“City Code” or “Code”</b>	the UK City Code on Takeovers and Mergers, as amended, supplemented or replaced;
<b>“Closing Date”</b>	23 March 2015, being the expected date of Admission;
<b>“Companies Act”</b>	the Companies Act 2006, as amended;
<b>“Company” or “Lakehouse”</b>	Lakehouse plc, a company incorporated in England and Wales with registered number 9411297;

<b>“C Ordinary Shares”</b>	C ordinary shares of £164.25 each in the capital of the Company following completion of the Share-for-Share Exchange Agreement, having the rights set out in the Intermediate Articles;
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) for paperless settlement of sales and purchases of securities and the holding of shares in uncertificated form in respect of which Euroclear is the operator (as defined in the CREST Regulations);
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended;
<b>“CSOP”</b>	the Lakehouse plc Company Share Option Plan;
<b>“D1 Ordinary Shares”</b>	D1 ordinary shares of £0.45 each in the capital of the Company following completion of the Share-for-Share Exchange Agreement, having the rights set out in the Intermediate Articles;
<b>“D2 Ordinary Shares”</b>	D2 ordinary shares of £0.45 each in the capital of the Company following completion of the Share-for-Share Exchange Agreement, having the rights set out in the Intermediate Articles;
<b>“Dealing Day”</b>	a day on which the London Stock Exchange is open for the transaction of business;
<b>“DSBP”</b>	the Lakehouse plc Deferred Share Bonus Plan;
<b>“Deferred Shares”</b>	the deferred shares of £0.05 each in the capital of the Company having the rights contained in the Intermediate Articles and the Articles;
<b>“Directors”</b>	the Executive Directors and the Non-Executive Directors;
<b>“Disclosure and Transparency Rules”</b>	the disclosure rules and transparency rules of the FCA made for the purposes of Part VI of FSMA in relation to the disclosure of information by an issuer whose financial instruments are admitted to trading on a regulated market in the UK;
<b>“EBT”</b>	the Lakehouse plc Employee Benefit Trust;
<b>“E Ordinary Shares”</b>	E ordinary shares of £0.015 each in the capital of the Company following completion of the Share-for-Share Exchange Agreement, having the rights set out in the Intermediate Articles;
<b>“EU”</b>	the European Union, first established by the treaty made at Maastricht on 7 February 1992;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator (as defined in the CREST Regulations) of CREST;
<b>“European Economic Area” or “EEA”</b>	together, the EU, Iceland, Norway and Liechtenstein;
<b>“Everwarm”</b>	Everwarm Limited, a company incorporated in Scotland with registered number SC167603;
<b>“Executive Directors”</b>	the executive Directors of the Company;
<b>“Existing Shareholder”</b>	a holder of Shares as at the date of this Prospectus;
<b>“Existing Shares”</b>	the 123,819,237 Shares in issue following the Pre-IPO Reorganisation and immediately prior to Admission;

<b>“FCA” or “Financial Conduct Authority”</b>	the UK Financial Conduct Authority;
<b>“FPM” or “Foster Property Maintenance”</b>	Foster Property Maintenance Limited, a company incorporated in England and Wales with registered number 4687488;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended;
<b>“FY2012”</b>	the financial year of the Group ended 30 September 2012;
<b>“FY2013”</b>	the financial year of the Group ended 30 September 2013;
<b>“FY2014”</b>	the financial year of the Group ended 30 September 2014;
<b>“Group” or “Lakehouse Group”</b>	the Company and its Subsidiaries from time to time;
<b>“Group Company”</b>	a company within the Group;
<b>“H2O Nationwide”</b>	H2O Nationwide Limited, a company incorporated in England and Wales with registered number 3599380;
<b>“HMRC”</b>	HM Revenue and Customs;
<b>“IFRS”</b>	International Financial Reporting Standards as adopted by the European Union;
<b>“Independent Non-Executive Directors”</b>	independent non-executive directors of the Company, within the meaning of the UK Corporate Governance Code;
<b>“Intermediate Articles”</b>	the articles of association of the Company adopted in connection with the Share-for-Share Exchange on 13 February 2015 (as amended on 17 March 2015);
<b>“Intermediate Shares”</b>	intermediate ordinary shares of £0.90 each in the capital of the Company having the rights set out in the Intermediate Articles;
<b>“ITEPA”</b>	Income Tax (Earnings and Pensions) Act 2003;
<b>“K&amp;T Heating”</b>	K&T Heating Services Limited, a company incorporated in England and Wales with registered number 5158607;
<b>“Lakehouse Construction”</b>	Lakehouse Construction Limited, a company incorporated in England and Wales with registered number 9195804;
<b>“Lakehouse Contracts”</b>	Lakehouse Contracts Limited, a company incorporated in England and Wales with registered number 2603357;
<b>“Lakehouse Holdings”</b>	Lakehouse Holdings Limited, a company incorporated in England and Wales with registered number 4659062;
<b>“Lakehouse Holdings A Ordinary Shares”</b>	the A ordinary shares of £0.01 each in the capital of Lakehouse Holdings;
<b>“Lakehouse Holdings B Ordinary Shares”</b>	the B ordinary shares of £0.015 each in the capital of Lakehouse Holdings;
<b>“Lakehouse Holdings C Ordinary Shares”</b>	the C ordinary shares of £0.015 each in the capital of Lakehouse Holdings;
<b>“Lakehouse Holdings D1 Ordinary Shares”</b>	the D1 ordinary shares of £0.0000127581 each in the capital of Lakehouse Holdings;

<b>“Lakehouse Holdings D2 Ordinary Shares”</b>	the D2 ordinary shares of £0.0000001 each in the capital of Lakehouse Holdings;
<b>“Lakehouse Holdings E Ordinary Shares”</b>	the E ordinary shares of £0.015 each in the capital of Lakehouse Holdings;
<b>“Lakehouse Holdings Ordinary Shares”</b>	the ordinary shares of £0.01 each in the capital of Lakehouse Holdings;
<b>“Listing Rules”</b>	the rules of the FCA relating to admission to the Official List made in accordance with section 73A(2) of FSMA;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Member States”</b>	member states of the EEA;
<b>“Model Code”</b>	the model code on directors’ dealings in securities as set out at the Appendix to Rule 9 of the Listing Rules (as amended from time to time);
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2007 (SI 2007/2157), as amended;
<b>“New Shares”</b>	the new Shares to be offered by the Company under the Offer, being 33,707,866 new Shares;
<b>“Nomination Committee”</b>	the nomination committee of the Board;
<b>“Non-Executive Directors”</b>	the non-executive directors of the Company, being Chris Geoghegan, Jill Ainscough and Johnathan Ford;
<b>“Offer”</b>	the offer of the Offer Shares to certain institutional and other investors in the United Kingdom and elsewhere as described in Part 12 (Details of the Offer) of this Prospectus;
<b>“Offer Price”</b>	the price at which each Share is to be sold or issued (as the case may be) under the Offer, being 89 pence;
<b>“Offer Shares”</b>	the Existing Shares and the New Shares to be purchased or subscribed for at the Offer Price pursuant to the Offer;
<b>“Official List”</b>	the Official List of the UK Listing Authority;
<b>“Operating Group”</b>	Lakehouse Holdings Limited and its subsidiaries, excluding (for the avoidance of doubt), Lakehouse;
<b>“Ordinary Shares”</b>	ordinary shares of £317.45 each in the capital of the Company having the rights set out in the Intermediate Articles;
<b>“Peel Hunt”</b>	Peel Hunt LLP of Moor House, 120 London Wall, London EC2Y 5ET;
<b>“Placing Agreement”</b>	the placing agreement dated 18 March 2015 entered into between (1) the Company; (2) the Directors; (3) the Selling Shareholders; and (4) Peel Hunt, as described in paragraph 12 of Part 14 (Additional Information) of this Prospectus;
<b>“Pre-IPO Options”</b>	any options granted by Lakehouse Holdings to a Director or a Selling Shareholder pursuant to a standalone agreement made between Lakehouse Holdings and the Director or Selling

	Shareholder concerned on any of the following dates: 10 July 2006, 30 April 2009 and/or 29 April 2014;
<b>“Pre-IPO Reorganisation”</b>	the Share-for-Share Exchange and share capital reorganisation of the Company more particularly described at paragraphs 3.3 to 3.6 of Part 14 (Additional Information) of this Prospectus;
<b>“Principal Selling Shareholders”</b>	those persons listed in the table in paragraph 1 of Part 12 (Details of the Offer) of this Prospectus as “principal selling shareholders”, who are each selling Existing Shares in the Offer;
<b>“Prospectus”</b>	this Prospectus;
<b>“Prospectus Directive”</b>	EU Prospectus Directive (2003/71/EC) (and any amendments to it including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and any relevant implementing measure in each Relevant Member State;
<b>“Prospectus Directive Regulation”</b>	EU Prospective Directive Regulation (2004/89/EC);
<b>“Prospectus Rules”</b>	the rules of the FCA made for the purposes of Part VI of FSMA in relation to offers of securities to the public and the admission of securities to trading on a regulated market;
<b>“PSP”</b>	the Lakehouse plc Performance Share Plan;
<b>“Register of Members”</b>	the register of members of the Company;
<b>“Registrars”</b>	Capita Asset Services;
<b>“Regulation S”</b>	Rules 901 to 905 (including Preliminary Notes) of Regulation S promulgated under the Securities Act;
<b>“Relevant Member State”</b>	a Member State which has implemented the Prospectus Directive;
<b>“Remuneration Committee”</b>	the remuneration committee of the Board;
<b>“Reporting Accountant”</b>	Deloitte LLP of Global House, High Street, Crawley, West Sussex, RH10 1DL;
<b>“RIS”</b>	any channel recognised as a channel for the dissemination of regulatory information by listed companies, as defined in the Listing Rules;
<b>“SAYE Scheme”</b>	the Lakehouse plc Sharesave Scheme;
<b>“Division” or “division”</b>	an operating division of the Group;
<b>“Schedule 2 Share Incentive Plan”</b>	a scheme which meets the requirements of Parts 2 to 9 (inclusive) of Schedule 2 ITEPA;
<b>“Schedule 3 Save as you Earn Scheme”</b>	a scheme which meets the requirements of Parts 2 to 7 (inclusive) of Schedule 3 ITEPA;
<b>“Schedule 4 CSOP Scheme”</b>	a scheme which meets the requirements of Parts 2 to 6 (inclusive) of Schedule 4 ITEPA;
<b>“SEC”</b>	the United States Securities and Exchange Commission;
<b>“Securities Act”</b>	U.S. Securities Act of 1933, as amended;

<b>“Selling Shareholders”</b>	the Principal Selling Shareholders and the Small Selling Shareholders
<b>“Senior Independent Non-Executive Director”</b>	the “senior independent director”, as referred to in the UK Corporate Governance Code;
<b>“Senior Managers” or “members of the Senior Management”</b>	certain members of the Group’s executive management team (other than the Directors), details of whom are set out in Part 6 (Directors, Senior Management and Corporate Governance) of this Prospectus;
<b>“Share-for-Share Exchange”</b>	the share-for-share exchange undertaken pursuant to the Share-for-Share Exchange Agreement as part of the Pre-IPO Reorganisation;
<b>“Share-for-Share Exchange Agreement”</b>	the agreement entered into between the shareholders in Lakehouse Holdings and the Company dated 13 February 2015 (as amended pursuant to a deed of amendment dated 17 March 2015) and 17 March 2015 as part of the Pre-IPO Reorganisation;
<b>“Shareholders”</b>	the holders of Shares from time to time;
<b>“Share Incentive Schemes”</b>	the CSOP, the PSP, the SIP, the SAYE Scheme and the DSBP;
<b>“Shares”</b>	ordinary shares of £0.10 each in the capital of the Company having the rights set out in the Articles;
<b>“SIP”</b>	the Lakehouse plc Share Incentive Plan;
<b>“Small Selling Shareholders”</b>	certain employees of the Group who will be selling Existing Shares in the Offer;
<b>“Subsidiary”</b>	has the meaning given to it in section 1159 of the Companies Act and includes group companies included in the consolidated financial statements of the Group from time to time;
<b>“Takeover Panel”</b>	the UK Panel on Takeovers and Mergers;
<b>“UK Corporate Governance Code”</b>	the UK Corporate Governance Code published by the Financial Reporting Council in September 2012, as amended;
<b>“UK Listing Authority”</b>	the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA;
<b>“uncertificated” or “in uncertificated form”</b>	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred through CREST;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia; and
<b>“VAT”</b>	UK value added tax.



## PART 16

### GLOSSARY OF TERMS

The following technical terms or other abbreviations (or variations of them) are used in this Prospectus:

<b>“ALMO”</b>	arm’s length management organisation;
<b>“AOV”</b>	automatic opening vent;
<b>“BSF”</b>	Building Schools for the Future;
<b>“Basic Needs”</b>	Basic Needs Programme;
<b>“CERO”</b>	Carbon Emissions Reduction Obligation;
<b>“CERT”</b>	Carbon Emissions Reduction Target;
<b>“CESP”</b>	Community Energy Saving Programme;
<b>“CHAS”</b>	The Contractors Health and Safety Scheme;
<b>“CSCO”</b>	Carbon Savings Community Obligation;
<b>“DLO”</b>	direct labour organisation;
<b>“ECO”</b>	Energy Company Obligation;
<b>“ESSH”</b>	Energy Efficiency Standard for Social Housing;
<b>“EPC”</b>	Eastern Procurement Consortium;
<b>“FIT”</b>	feed-in-tariffs;
<b>“FM”</b>	facilities management;
<b>“GDHIF”</b>	Green Deal Home Improvement Fund (known as “Green Deal Cashback” in Scotland);
<b>“HEEPS”</b>	Home Energy Efficiency Programmes Scotland;
<b>“HHCRO”</b>	Home Heating Cost Reduction Obligation (also known as “Affordable Warmth”);
<b>“HRA”</b>	Housing Revenue Account;
<b>“KPI”</b>	key performance indicator;
<b>“NICEIC”</b>	the National Inspection Council for Electrical Installation Contracting;
<b>“OJEU”</b>	Official Journal of the European Union;
<b>“PQQ”</b>	pre-qualification questionnaire;
<b>“PRP”</b>	private registered provider; and
<b>“RHI”</b>	Renewable Heat Incentive.





# Making an impact through deeper relationships

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