Lakehouse plc

Interim results to 31 March 2016

Interim results 2016

Lakehouse plc – Interim report 2016

17 May 2016

Lakehouse plc
Interim Results for the six months ended 31 March 2016

Lakehouse plc ("Lakehouse" or "the Group"), the asset and energy support services group, is today announcing its Interim Results for the six months from 1 October 2015 to 31 March 2016

Introduction – Trading update

As previously reported in the Trading Statements on 1 February and 12 April 2016, the period under review reflects the headwinds in the Regeneration and Energy Services divisions.

In particular, the Group's Regeneration division faced more difficult trading conditions during the period than expected at the start of the financial year as a result of reduced client budgets and changes in procurement structures. In response to this, and as opportunities for internal work traditionally performed by Regeneration were reduced, management focused on expanding the division's external work offering, particularly roofing. The business has had considerable success in winning new work over the period through this initiative and has been able to deliver this whilst maintaining high standards of client service throughout. However, as part of the Group's contract review process, it has become apparent that local organisational and operational structures were not sufficiently robust to cope with this growth, in particular managing inventory, staff and site contractors. As such, a number of projects are expected to make returns significantly below the Group's target margins. In order to reflect the expected adverse profit impact arising from this, the Board have written down a number of contracts at the half year, resulting in a £2m EBITA adverse impact.

Whilst the specific contract issues have been identified, significant performance challenges remain in Regeneration. Accordingly a "self help" operational improvement programme initiated by the Board in May 2016 will focus initially on this important division to identify and then implement actions to address performance issues that have arisen in the period. Senior management are also focusing on contract settlements, a key risk area for a contracting business such as Regeneration.

Elsewhere, the Board is encouraged that high bidding success rates are being achieved by the Group, with forward visibility of revenues evidenced by our order book of £636m which was up by 13% (31 March 2015: £563m) and sales pipeline of £3.4bn which was up by 26% (31 March 2015: £2.7bn). We are also in active dialogue with a number of energy utilities regarding the roll-out of domestic smart meters.

Whilst our operations remain on track to deliver a good core performance in the second half of the financial year, the challenges in the Group, mainly surrounding Regeneration, have caused the Board to revise its current expectations of underlying profits (before exceptional items) for the year ending 30 September 2016.

Notwithstanding the current challenges, the Board believes that the Group's business fundamentals remain strong and actions are in place to drive operational improvement, particularly in Regeneration.

Whilst very disappointed to be reporting a further revision to its expectations, the restructured Board is fully focused on improving performance and remains confident in the strength and resilience of the Group, together with the opportunities to restore shareholder value over time.

Summary of performance

	Reported performance			Reported performance excluding acquisitions		
Six months ended 31 March	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Revenue (£m)	167.8	161.3	4%	130.1	155.9	(17)%
Underlying EBITA[1] (£m)	5.1	8.9	(42)%	1.7	8.6	(80)%
Underlying EBITA[1] margin	3.1%	5.5%	(240) bps	1.3%	5.5%	(420) bps
Net (debt)/cash (£m)	(22.6)	21.1	£(43.7)m			
Operating (loss)/profit (£m)	(1.0)	2.1				
Underlying[2] profit before tax (£m)	4.7	8.6	(45)%			
(Loss)/profit before tax (£m)	(1.8)	1.2				
Underlying[2] basic earnings per share (pence)	2.4p	7.4p	(68)%			
Basic (losses)/earnings per share (pence)	(1.0)p	0.7p				
Dividend per share (pence)	1.0p	-				

Financial highlights

- Revenue increased by 4% to £167.8m, with Like for Like[3] (excluding the effect of acquisitions and the exit of our social housing development business) revenue 17% lower.

- Underlying EBITA[1] decreased to £5.1m from £8.9m, with an underlying EBITA margin of 3.1% (31 March 2015: 5.5%); Like for Like EBITA of £1.7m was 80% lower.

- Operating loss was £(1.0)m, compared to a £2.1m operating profit in the prior year, including a £2.6m increase in amortisation of acquisition intangibles to £5.5m.

- Interim dividend of 1.0p per share reflects the Board's confidence in the Group's underlying performance.

- Cash generation was in line with expected performance in the half year, resulting in underlying operating cash conversion[4] of (negative 170)% (31 March 2015: 157% and 30 September 2015: 115%); our long term sustainable target remains at 80%.

- Expenditure on acquisitions in the period represents £15.6m (including acquisition costs), together with £1.1m of historic land purchase costs.

- Balance sheet remains robust, with net debt of £22.6m (31 March 2015: net cash £21.1m; 30 September 2015: net cash £6.6m) against the Group's total £50m banking facilities. Net debt reflects £36.5m in acquisition expenditure (including acquisition costs) in the 12 months since 31 March 2015.

Key performance indicators

- High bidding success rate led to contract wins in the period valued at £441m (31 March 2015: £248m), including positions on long term frameworks.

- The Group won places on a further 43 frameworks during the period and is now on 224 frameworks (31 March 2015: 117 and 30 September 2015: 181).

- Order book increased to £636m (31 March 2015: £563m and 30 September 2015: £595m).

- Sales pipeline increased to £3.4bn as at 31 March 2016 (31 March 2015: £2.7bn and 30 September 2015: £2.8bn).

- March 2016 average customer satisfaction for the Group stood at 94% (30 September 2015: 93%), above our 90% target, reflecting the quality of our delivery.

Operational and strategic highlights

- Notwithstanding that the Group's business fundamentals remain strong, client budgets remain constrained, particularly for planned maintenance activities.

- Completed the acquisitions of Aaron Services (Gas) in November 2015 and Precision (Lifts) in December 2015, extending our service proposition and geographic reach.

- The Board's primary focus is now on organic growth, with continued success in the period of cross-selling services across the Group, including work for Kensington & Chelsea TMO, Wandle Housing, Arun District Council and Notting Hill Housing.

Board matters – changes since the period end and immediate focus

- As previously reported, on 18 April Ric Piper joined the Board and was appointed Non-Executive Chairman in place of Chris Geoghegan, who stepped down from the Board.

- On the same day Robert Legget and Steve Rawlings joined the Board as Non-Executive Directors, with Robert Legget appointed Senior Independent Director.

- On 21 April Stuart Black resigned as Chief Executive Officer, with the recruitment process for his successor under way.

- Jeremy Simpson continues as Chief Financial Officer and Michael McMahon as Executive Director. Jill Ainscough and Johnathan Ford continue as Non-Executive Directors.

- After a period of some disruption internally, as the composition of the Board was resolved, the Board's immediate focus is for the Group to deliver its revised expectations for the full year ending 30 September 2016.

Commenting on the results, Ric Piper, Chairman said:

"*This was a very challenging period for Lakehouse, with headwinds in our Regeneration and Energy Services markets and operational challenges, combined with some disruption internally, as the composition of the Board was resolved.*

The Board believes that the Group's business fundamentals remain strong. The immediate focus is for the Group to deliver its further revised expectations for the full year to 30 September 2016 and increase shareholder value over the longer term."

Enquiries

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Notes to editors

Lakehouse is an asset and energy support services group that constructs, improves, maintains and provides services to homes, schools, public and commercial buildings with a focus on clients in the UK public sector and regulated markets. Services are delivered through four divisions: Regeneration, Compliance, Energy Services and Construction.

The Group was founded in 1988 and is headquartered in Romford, Essex. It currently employs some 2,400 staff from 35 offices across the UK.

We deliver services through four divisions:

Division	**Services**	**Revenue Six months ended 31 March 2016**	
		£m	%
Compliance	Regulated and legislated services, primarily to local authority and housing association clients	43.2	26%
Energy Services	Domestic insulation, smart meters, energy efficiency products and advice, primarily for social housing landlords, five of the "Big Six" energy utility companies and the key independent energy companies	41.0	24%
Regeneration	Planned refurbishment, repair and maintenance and a growing responsive maintenance offering, for social housing customers	63.2	37%
Construction	Extension, refurbishment, rationalisation and new build works, primarily in the education market, with a particular focus on schools	21.7	13%
		169.1	100%
Central	Eliminations on intercompany trading	(1.3)	
Group		167.8	

Division	Total revenue in the six months ended 31 March 2016	% change period on period	Revenue excluding acquisitions and businesses exited in the six months ended 31 March 2016	% change period on period
	£m	%	£m	%
Compliance	43.2	123%	16.1	(16)%
Energy Services	41.0	51%	31.4	16%
Regeneration	63.2	(20)%	63.2	(20)%
Construction	21.7	(41)%	20.7	(34)%
Total*	£169.1m*	4%	£131.4m*	(16)%
Intercompany eliminations	£(1.3)m		£(1.3)m	
Total	£167.8m	4%	£130.1m	(17)%

* Before eliminations on intercompany trading.

Definitions

1. EBITA is earnings before interest, tax and amortisation of acquisition intangibles. Underlying EBITA is defined as operating profit before deduction of exceptional and other items, as outlined in Note 4 and on the face of the Condensed Consolidated Statement of Comprehensive Income. Underlying EBITA is the same as "Operating profit before exceptional and other items" on the face of the Condensed Consolidated Statement of Comprehensive Income, but used as terminology in light of being a key performance measurement for management in the Group.

2. As set out in the Condensed Consolidated Statement of Comprehensive Income, other underlying numbers are stated before exceptional and other items (discussed further in Note 4). Underlying profit after tax and underlying earnings per share are net of an imputed tax charge.

3. Like for Like performance reflects the exclusion of the impact of acquisitions that have been completed since 31 March 2015, together with the exclusion of the results of the social housing development business, which has been exited. These results reflect the exclusion of the results of those acquisitions, giving a comparable view on the Group's organic performance.

4. Underlying operating cash conversion is operating cash flow, plus the cash impact of exceptional and other items (discussed further in Notes 4 and 12), as a percentage of underlying EBITA.

CHAIRMAN'S STATEMENT

Introduction

This is my first Chairman's Statement to shareholders since joining the Board and becoming Chairman on 18 April 2016.

Performance

As previously reported, the first half of the current financial year was very challenging for Lakehouse.

On 1 February 2016, the Group announced that a number of headwinds facing its markets, such as social landlords reducing rents by 1% p.a. for the next four years, margin pressures in the insulation market and the delay in the UK domestic smart meter roll-out programme had come together to affect our business. As a result, Like for Like revenue and profits for the six months ended 31 March 2016 were below both previous expectations and the corresponding period last year.

Financial results: background

Results for the period reflect the impact of difficult market conditions and operational challenges in Regeneration.

As reported in the Trading Statement on 1 February 2016, Regeneration faced much more difficult trading conditions during the period than expected at the start of the financial year. Clients looked to cut their costs, in part because social landlords are now required to reduce their rents by 1% each year for the four year period to April 2020. This particularly impacted planned maintenance work, as the timing of expenditure can be flexed by clients.

The Group reported in December 2015 that, following the General Election of May 2015, the energy sector experienced some well publicised challenges resulting from the UK Government's energy efficiency funding policies that underpin the sector. In this context, 2016 was expected to be a transition year before the new policy commences in April 2017. As the current Energy Company Obligation policy moved into its final phase and the obligations placed on utility companies relaxed, there was pressure on carbon prices, impacting in the final quarter of the year ended 30 September 2015. The Board estimates that the year on year impact of changes to carbon prices on the Group will be around £3.0m for the year ending 30 September 2016, of which £2.0m arose in the first half. This is in line with management expectations, as carbon prices have largely stabilised in the period at the revised, lower, levels.

As the Group reported in the Trading Statement on 1 February 2016, with lower subsidy income available, there have been consequential funding pressures on social landlords, meaning some insulation contracts are being bid at lower margins and we expect this to impact particularly during the second half of the year.

The period was also influenced by the delay of some Construction and Compliance work until the second half of the current financial year, together with the typical seasonality of the business, particularly in Everwarm (part of Energy Services) and the Gas and Lifts businesses within Compliance. Management consider this a matter of timing, as the business is subject to timing requirements on project work and weather has a significant influence over the seasonality of certain parts of the business.

Financial results: overview

Revenue was 4% higher at £167.8m (2015: £161.3m), although Like for Like revenue was down 17%.

Underlying EBITA declined to £5.1m (2015: £8.9m), representing a margin of 3.1% (2015: 5.5%). The results included a full six months' positive underlying EBITA from Providor, Orchard Energy and Sure Maintenance, which were all acquired in the second half of the last financial year, as well as initial contributions from Aaron Services (acquired November 2015) and Precision Lifts (acquired December 2015). Like for Like EBITA was 80% lower at £1.7m (2015: £8.6m).

Underlying profit before tax was £4.7m, down 45% (2015: £8.6m). Underlying profit after tax was £3.8m (2015: £7.3m), resulting in underlying basic earnings per share of 2.4p (2015: 7.4p). Loss after tax was £1.5m (2015: profit after tax of £0.7m), resulting in basic losses per share of (1.0)p (2015: earnings of 0.7p).

Encouragingly, contract wins in the period totalled £441m including positions on long term frameworks (up by 78% compared to 31 March 2015: £248m), contributing to a period-end order book of £636m (up by 13% compared to 31 March 2015 (£563m) and by 7% compared to 30 September 2015 (£595m)). Our sales pipeline stood at £3.4bn at 31 March 2016, up by 26% from £2.7bn the previous year and the number of frameworks stood at 224, up by 91% from 117 at 31 March 2015 and by 24% from 181 at 30 September 2015.

Following the period end, we have continued to be successful in bidding new work. Significant wins include a £10m heating service repair and maintenance framework for Procurement for Housing, a £3.7m high rise external wall insulation contract for Islington Council, a £2.4m external decorations and roof renewal contract for Cambridgeshire County Council and a £10m primary school extension contract for London Borough of Brent.

At 31 March 2016, the Group had net debt of £22.6m (31 March 2015: net cash of £21.1m and 30 September 2015: net cash of £6.6m). Net debt of £22.6m at 31 March 2016 comprised cash and other items of £2.4m, together with a £25m drawing under our revolving credit facility, with more than 50% of our £50m banking facilities effectively unutilised. Net debt reflects £36.5m in acquisition expenditure (including £1.1m acquisition costs) in the 12 months since 31 March 2015.

Underlying operating cash conversion was in line with our expected performance in the half year at (negative 170)% (31 March 2015: 157%), details of which are outlined in the Financial Review below. This related predominantly to a £13.8m reduction in net negative work in progress relating to packaged subcontractors, in line with expectations outlined at the time of the 2015 year end. Our long term target for annual operating cash conversion remains 80%. Operating cash outflow in the period was £11.4m (31 March 2015: inflow of £11.3m and 30 September 2015: inflow of £19.1m).

Board and people

Performance issues and concern from some shareholders around the composition of the Board have made this a very testing period.

The Board composition is now settled.

Jeremy Simpson and Michael McMahon continue as Chief Financial Officer and Executive Director respectively. Jill Ainscough and Johnathan Ford continue as Non-Executive Directors, being Chair of the Remuneration Committee and Chairman of the Audit Committee respectively.

I am delighted to have become Non-Executive Chairman and have been joined on the Board by Steve Rawlings and Robert Legget. Both have been appointed as Non-Executive Directors, with Robert also becoming our Senior Independent Director. I believe that Steve's knowledge and experience as the founder of Lakehouse and Robert's specialism in increasing shareholder value in the Small Cap sector will be of considerable benefit to the Group.

A number of Directors have also stepped down from the Board. Sean Birrane resigned as Chief Executive Officer on 8 March and Stuart Black, who was previously Executive Chairman and then took up the role of Chief Executive Officer on Sean's departure, resigned on 21 April. I want to thank Sean for his contribution during nearly 20 years at Lakehouse and Stuart for the Group's many successes since he joined in 2008. Chris Geoghegan, who joined the Board during the IPO in 2015 and was most recently Non-Executive Chairman, left the Board on 18 April. We wish all of them well for the future.

We have begun the process of recruiting a new Chief Executive Officer, assisted by The Inzito Partnership.

Ahead of the new Chief Executive Officer being appointed and joining us, I am working closely with Jeremy and Michael to continue to drive the operational and financial performance of the business. Since the period end, in May 2016, the Board has initiated a "self help" operational improvement programme, which will take the form of a bottom-up review of the Group's operations, aimed at Business Development activity and how we will win new work in our markets, together with operational improvements. I will report on the progress of the self help programme in subsequent market updates.

Operationally, each of our four divisions has its own experienced managing director and senior management team, who will continue to lead our day-to-day activities.

Finally, and most importantly, on behalf of the Board, I thank all our employees for their hard work and their dedication to meeting the needs of our clients and customers through their high-quality service delivery.

Dividend

We have a progressive dividend policy, which allows us to reward investors, while retaining capital to invest in our long term growth, both organically and through bolt-on acquisitions.

The Board has therefore declared an interim dividend of 1.0p per share for the first half of the current year. This will be paid on 4 July 2016 to shareholders on the register at 10 June 2016.

Lakehouse did not pay a dividend for the corresponding period last year, as the Group's initial public offering took place just before the period end.

Outlook

Significant challenges remain in Regeneration. Accordingly the self help operational improvement programme referred to above will focus initially on this important division to pinpoint and implement actions to address operating issues that have arisen, partly from previously highlighted client budget constraints together with operational challenges within certain parts of the division.

Whilst our operations remain on track to deliver a good core performance in the second half of the financial year, the challenges in the Group, mainly surrounding Regeneration, have caused the Board to revise its current expectations of underlying profits (before exceptional items) for the year ending 30 September 2016.

Notwithstanding the current challenges, the Board believes that the Group's business fundamentals remain strong.

Whilst very disappointed to be reporting a further revision to its expectations, the restructured Board is fully focused on improving performance and remains confident in the strength and resilience of the Group, together with the opportunities to restore shareholder value over time.

OPERATIONAL REVIEW

Trading performance

Revenue was 4% higher at £167.8m (2015: £161.3m), although Like for Like revenue was down 17%.

Underlying EBITA declined to £5.1m (2015: £8.9m), representing a margin of 3.1% (2015: 5.5%). The results included a full six months' positive contribution from Providor, Orchard Energy and Sure Maintenance, which were all acquired in the second half of the last financial year, as well as initial contributions from Aaron Services (acquired November 2015) and Precision Lifts (acquired December 2015). Like for Like EBITA was 80% lower at £1.7m (2015: £8.6m).

Underlying profit before tax was £4.7m, down 45% (2015: £8.6m). Underlying profit after tax was £3.8m (2015: £7.3m), resulting in underlying basic earnings per share of 2.4p (2015: 7.4p). Loss after tax was £(1.5)m (2015: profit after tax of £0.7m), resulting in basic losses per share of (1.0)p (2015: earnings of 0.7p).

Compliance (26% of Group Revenue)

Compliance: six months ended 31 March	**2016**	**2015**	**Change**
Revenue (£m)	43.2	19.3	123%
Underlying EBITA (£m)	2.6	2.8	(6)%
Underlying EBITA margin	6.0%	14.2%	(820) bps
Compliance: six months ended 31 March (excluding the effect of acquisitions)	**2016**	**2015**	**Change**
Revenue (£m)	16.1	19.3	(16)%
Underlying EBITA (£m)	1.0	2.8	(65)%
Underlying EBITA margin	6.0%	14.2%	(820) bps

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

Compliance performed in line with our expectations during the period. Our three recent acquisitions, Sure Maintenance, Aaron Services and Precision Lifts, are all performing well and the division is seeing the benefits of a wider pool of clients and mandatory services that provide significant future opportunities.

Overall, revenue increased by 123% to £43.2m albeit excluding the acquisitions of Sure Maintenance, Aaron Services and Precision Lifts, revenues were £3.2m (16%) lower. This was due predominantly to the timing of project work in our Fire business year on year, with more work expected in the second half of the current financial year than the prior year, in which it had, conversely, a busy first half and then quieter second half. Our K&T Heating gas business saw two major contracts demobilise during the first half of last year and their replacements will be mobilising in the second half of the current financial year.

Underlying EBITA was 6% lower at £2.6m, resulting in an underlying EBITA margin of 6.0%, down by 820 bps. Like for Like EBITA was 65% lower at £1.0m, with the main difference due to fixed cost recoveries on lower levels of activity in Allied Protection and K&T Heating.

We are typically paid for service and repair work on a fixed price basis evenly through the year. The Gas and Lifts businesses have far higher call-out rates during colder months, resulting in higher labour and materials costs, meaning that we are far more profitable in the warmer months when call-out rates are lower. Given the Gas and Lifts businesses now comprise in excess of 80% of the division's revenues, this makes the division highly seasonal. Accordingly a significant proportion of our Compliance business's annual profit is expected to arise during the second half of the financial year.

The outlook for our Compliance businesses remains strong and in line with management expectations, notwithstanding the influences of seasonality and timing of project work.

In September 2015 we acquired Sure Maintenance. Sure provides gas servicing, maintenance and installations to social housing clients in the North of England and Midlands. This acquisition allows us to extend our geographic footprint and provides a platform for the Group to sell a wider range of compliance services into its existing client base.

We acquired Aaron Services in November 2015. Aaron provides heating services and installations, primarily for housing associations and local authorities in and around East Anglia. Aaron complements Sure Maintenance, along with K&T Heating, which operates in London and the South East; the business also offers a particular opportunity to work and share costs with Regeneration Central, which operates in a similar territory.

Precision Lifts, which we acquired in December 2015, brings lift installation and maintenance capabilities into the division, complementing our gas, water, air and fire protection services. This enables us to provide an even more comprehensive compliance offering and opens up further opportunities for cross-selling.

An important focus during the period was integrating the six businesses that make up Compliance, under the leadership of the Group's Business Improvement Director, John Lewthwaite, who has taken the role of Interim Managing Director of Compliance.

We have established a single Compliance board, to set strategy and direction, consolidated support functions such as health and safety and combined procurement to make best use of our buying power. The division has also looked to define and share best practice, for example, by benchmarking the three gas compliance businesses (K&T Heating, Sure Maintenance and Aaron Services), identifying a best in class end-to-end process and collaborating on a common operating ICT platform. The division has also conducted detailed interviews with clients to better understand their needs and shape our Compliance offering.

During the period, Compliance secured a number of notable wins, particularly in our Gas businesses. These included gas servicing and maintenance for Brighton and Hove City Council over five years to September 2020; heating installation works for Swindon Borough Council over five years to August 2020; and gas servicing and maintenance for Chelmer Housing Partnership over five years to July 2021. We also had good successes in our other Compliance businesses, securing the Salvation Army Housing Association's three year framework to provide mechanical and electrical services to June 2018; door set installation for Canterbury City Council over three years to January 2018; fire alarm and emergency lighting systems for London Borough of Hammersmith and Fulham over five years to January 2021 and the South East Consortium's four year water hygiene framework to April 2020. Compliance is now on 98 frameworks, up from 29 at 31 March 2015 and 56 at 30 September 2015, with an aggregate value of £355m (31 March 2015: £83m and 30 September 2015: £88m).

Compliance has continued to successfully cross-sell its services including work in the period for Allied Protection with Kensington & Chelsea TMO and Wandle Housing, which were both K&T Heating clients. K&T Heating also introduced H2O Nationwide and Lakehouse to Arun District Council, resulting in successful tenders for works including a renewables and roofing scheme and plant room Legionella testing. In addition, Precision Lifts is already carrying out projects for Notting Hill Housing, an existing client of both K&T Heating and Allied Protection.

Energy Services (24% of Group Revenue)

Energy Services: six months ended 31 March	**2016**	**2015**	**Change**
Revenue (£m)	41.0	27.2	51%
Underlying EBITA (£m)	3.0	3.4	(12)%
Underlying EBITA margin	7.3%	12.6%	(530) bps
Energy Services: six months ended 31 March (excluding the effect of acquisitions)	**2016**	**2015**	**Change**
Revenue (£m)	31.4	27.1	16%
Underlying EBITA (£m)	1.5	3.5	(57)%
Underlying EBITA margin	4.8%	13.0%	(820) bps

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

Revenue was £41.0m in the period, up 51% (16% excluding the contribution of acquisitions). Underlying EBITA declined by 12% to £3.0m (57% lower excluding the contribution of acquisitions), resulting in an underlying EBITA margin of 7.3%, which was 530 bps lower than in the first half of last year, the major factor being the impact of carbon pricing as discussed below.

The Group reported in December 2015 that, following the General Election of May 2015, the energy sector experienced some well publicised challenges resulting from the UK Government's energy efficiency funding policies that underpin the sector. In this context, 2016 was expected to be a transitional year before the new policy commences in April 2017. As the current Energy Company Obligation policy moved into its final phase and the obligations placed on utility companies relaxed, there was pressure on carbon prices impacting in the final quarter of the year ended 30 September 2015. This had a consequential impact on margins in the first half, albeit in line with management expectations as carbon prices have largely stabilised in the period at the revised, lower, levels. The Board estimates that the year on year impact of changes to carbon prices on the Group will be around £3.0m for the year ending 30 September 2016, of which £2.0m arose in the first half.

As we reported in the Trading Statement on 1 February 2016, with lower subsidy income available, there have been consequential funding pressures on social landlords, meaning some insulation contracts are being bid at lower margins and we expect this to impact particularly during the second half of the year.

We are in active dialogue with a number of energy utilities regarding the roll-out of domestic smart meters. In the event we secure one or more of these contracts, we anticipate that under the Group's accounting policy, the training of engineers will be expensed as incurred and we have commenced this in anticipation of success. We also note recent consolidation in the meter installation sector.

Orchard Energy, our energy procurement and advisory services business, had a strong first half and we were delighted to achieve monthly contract brokerage signings in excess of £0.5m for the first time during March 2016. We also have a growing utility services activity, where we have recently authorised an investment of £0.1m in the second half in mobilising energy auditors and compliance, technical experts and water advisory services (which will be expensed under Group accounting policies). The latter is particularly important ahead of the deregulation of the water market in England and Wales in April 2017. We are beginning to see medium term opportunities to cross-sell Orchard's services into our existing social housing, education and commercial client base. In the near term, we are focussing on introducing Providor's smart meter service to Orchard's existing utility company client base to support with site works services and other opportunities.

The Group holds a one-third share in the Warmworks joint venture, along with Changeworks and the Energy Saving Trust. Warmworks operates a national fuel poverty scheme funded by the Scottish Government. The joint venture has achieved a cumulative profit position within six months of contract commencement whilst having absorbed significant mobilisation costs, in line with our expectations. Whilst volumes have been growing steadily within Warmworks, referrals to Everwarm remain behind expectations. We are engaging with Warmworks to address this shortfall, as well as with the Scottish Government on opportunities to increase demand outside the boundaries of the current contract.

During the first half, the division won places on frameworks in England, including providing energy efficiency measures for the London Housing Consortium and energy saving measures and insulation systems for Luton Borough Council. Both of these frameworks run for four years to 2020. The English market however continues to disappoint with major frameworks still not yet translating into significant tender opportunities. Other notable wins in the year include a four year framework with the Scottish Government to provide non-domestic energy works to December 2019. Energy Services is now on 33 frameworks, up from 17 at 31 March 2015 and 32 at 30 September 2015, with an aggregate value of £309m (31 March 2015: £25m and 30 September 2015: £294m).

The near term market factors discussed above adversely affected Energy Services' performance in the first half and are expected to continue in the second half of the current financial year, albeit on an underlying basis, broadly in line with our expectations at the time of the Trading Statement of 1 February 2016. However, the investment in training smart metering engineers and utility services activities, together with concern over volumes from Warmworks may have an adverse financial impact on the current financial year. Management see this as a short term issue, given all three matters should revert to growth opportunities in the medium term.

Given the transitional nature of the market, we expect the year ending 30 September 2016 to be one of consolidation. We nevertheless remain optimistic about the prospects for the division, led by Managing Director, Michael McMahon. We expect opportunities to arise from the new ECO programme and deregulation of the water market from April 2017, an extension of our utility services business, full mobilisation of Warmworks and most notably, the long awaited commencement of the UK domestic smart meter installation programme during the latter part of calendar 2016.

Regeneration (37% of Group Revenue)

Regeneration: six months ended 31 March	2016	2015	Change
Revenue (£m)	63.2	79.3	(20)%
Underlying EBITA (£m)	1.9	4.4	(57)%
Underlying EBITA margin	3.0%	5.6%	(260) bps

Regeneration's revenue was £63.2m in the period, down £16.1m (20%), of which £9m related to the cessation of the Hackney contract in September 2015.

Underlying EBITA declined by £2.5m (57%) to £1.9m, resulting in an underlying EBITA margin of 3.0%, which was 260 bps lower than in the first half of last year. The major contributors to the reduction in EBITA related to the performance issue in our Regeneration (South) "externals" business (discussed below), together with (as previously announced) the cessation of the Hackney contract.

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

- South: operates in London and the South East;
- Central: renamed in January 2016 from Regeneration (East), to reflect its core operations in East Anglia and expansion into the East Midlands; and
- North: recently formed and operates in Scotland.

As reported in the Trading Statement on 1 February 2016, Regeneration faced much more difficult trading conditions during the period than expected at the start of the financial year. Clients looked to cut their costs, in part because social landlords are now required to reduce their rents by 1% each year for the four year period to April 2020. Some clients also delayed expenditure until their budgets were confirmed in April 2016. This particularly impacted planned maintenance work, as the timing of expenditure can be flexed by clients. This meant that despite our increased success in securing positions on key frameworks, such as Essex County Council and London Borough of Southwark, the level of tenders and project work flowing from these frameworks was below our previous expectations.

The business has worked hard to win and deliver work in these difficult markets, but Regeneration has also faced operational challenges. As opportunities for internal work traditionally performed by Regeneration (South) in London and the South East were reduced, management focused on expanding our externals offering, particularly roofing. This had the added benefit that as a directly delivered service, there were opportunities to secure higher margins, a core organic strategy for the Group. The business has had considerable success in winning new work over the period through this initiative and has been able to deliver this whilst maintaining high standards of client service throughout. However, as part of the Group's contract review process, it has become apparent that local organisational and operational structures were not sufficiently robust to cope with this growth, in particular managing inventory, staff and site contractors. As such, a number of projects are expected to make returns significantly below the Group's target margins. In order to reflect the expected adverse profit impact arising from this, the Board have written down a number of contracts at the half year, resulting in a £2m EBITA adverse impact.

In response to this, improvements have been made and a stronger management team appointed. Further, our Chairman referred to the "self help" operational improvement programme that we have initiated in May 2016, which will focus initially on the performance of Regeneration to identify and then implement actions to address the performance issues that have arisen in the period.

Senior management are also focusing on contract settlements, a key risk area for a contracting business such as Regeneration.

The underlying Regeneration business nevertheless remains strong. During the six month period under review, Regeneration was awarded places on a number of important frameworks. These included two with Efficiency East Midlands, to supply roof replacements and new-build installations as well as electrical repairs and rewiring to February 2020; Fusion21's national kitchen and bathroom installation works framework to March 2020; the major works framework for Southwark Council to May 2019; responsive repairs and voids to May 2020, planned internal works to September 2019 and roofing works to May 2020 frameworks for Eastern Procurement; and City of Edinburgh's framework for kitchen and bathroom installations to May 2020. Regeneration is now on 64 frameworks, up from 36 at 31 March 2015 and 53 at 30 September 2015 with an aggregate value of £548m (31 March 2015: £500m and 30 September 2015: £540m). Other significant wins in the period included a four-year contract to June 2020 to provide fire safety works for the London Borough of Ealing and a one-year contract to December 2016 with Wandsworth Council for window and roof renewals.

To improve the efficiency and effectiveness of our operations, we are bringing together South and Central under one managing director, David Haynes, who previously led Central and was responsible for re-securing the Eastern Procurement framework earlier this financial year. We expect that this revised organisation structure, together with the self help improvement programme, will allow us to improve our understanding of market opportunities, share best practice, improve efficiency and offer a consistent service across Central and South, whilst also drawing on the experience gained from integrating our Compliance businesses as discussed above.

Construction (13% of Group Revenue)

Construction: six months ended 31 March	**2016**	**2015**	**Change**
Revenue (£m)	21.7	36.7	(41)%
Underlying EBITA (£m)	1.0	1.9	(45)%
Underlying EBITA margin	4.7%	5.1%	(40) bps
Construction: six months ended 31 March (excluding the exit of social housing development)	**2016**	**2015**	**Change**
Revenue (£m)	20.7	31.4	(34)%
Underlying EBITA (£m)	0.7	1.4	(50)%
Underlying EBITA margin	3.4%	4.5%	(110) bps

Construction is a public buildings services business that delivers extension, refurbishment, rationalisation and new build works, primarily in the education market, with a particular focus on schools. The division is led by our longest serving Managing Director, Dean Ball, supported by an experienced team.

The division continued its policy of bidding selectively and only pursuing public building projects with the appropriate balance of risk and returns. Our typical project range is £1m to £5m, with the "sweet spot" being £2m. While the division had its strongest ever order book and pipeline at the period end, some revenue was delayed until the second half of the financial year due to factors controlled by our clients.

As a consequence, Construction delivered revenue of £21.7m, down 41% (Like for Like down 34%), and underlying EBITA of £1.0m, which was 45% lower (Like for Like down 50%). The underlying EBITA margin was 4.7%, down 40 bps.

We have had significant success in securing major frameworks under the Dean's leadership, together with the Group's Commercial team, led by Phil Tidmarsh, Group Commercial Director. Notable wins included Essex County Council's four-year school expansion programme to April 2020 and Kent County Council's education, public buildings and commercial framework to September 2019. Other important wins in the first half of the year included extension and refurbishment work for Gloucestershire Archives; refurbishment and extension to a Grade II listed building for ACS Hillingdon International School; construction of Silverstone Primary School, through the Local Government Shared Services framework; and two contracts through the London Construction Programme, to build an advanced metal casting centre for Brunel University and a teaching block for St Michael's Roman Catholic College in Southwark.

While the number of frameworks declined to 29 from 35 as at 31 March 2015 and 40 as at 30 September 2015, their aggregate value increased to £368m from £309m as at 31 March 2015 (30 September 2015: £420m).

Our client relationships built off the back of these frameworks have changed steadily. The traditional single project dynamic of the division has developed into one with the characteristics of the repeat work seen traditionally in our Regeneration division. This provides us with a strategic opportunity to diversify our public sector offering away from a historic reliance on social housing refurbishment within Regeneration, to a more balanced model aimed at all public buildings. Whist retaining our project parameters as set above, this will thereby allow us to spread our risk in the face of client budget restrictions.

Creating a long term sustainable business

Our success depends on our ability to consistently satisfy our clients. This helps us to retain contracts at retendering stage, to cross-sell additional services and to attract new clients. At the end of March 2016, average customer satisfaction for the Group stood at 94% (30 September 2015: 93%), above our 90% target, reflecting the quality of our delivery.

Our award-winning Customer Journey initiative looks at every aspect of how we interact with clients and customers, so we can improve our processes and our service. We continue to embed the initiative, which is achieving the expected benefits, as well as expanding it into the companies we acquire.

Impact Response is our operating system for responsive maintenance services. It tracks each task order, from receiving the initial call through to invoicing, with the aim of further improving customer service and our efficiency. Impact Response has been implemented in three of our businesses (Allied Protection, Regeneration Central and Everwarm), helping to deliver operational and financial improvements.

We operate a common financial platform, Navision, which we rolled out to Orchard Energy and Aaron Services during the first half and expect to implement in Everwarm and Precision Lifts during the second half of this financial year. We expect the roll-out for the final business, Sure Maintenance to be implemented before the end of 2016.

Protecting the Health and Safety of our people and other stakeholders is a core priority for the Board and our divisional management teams. The Group performance remains better than the sector average, with an accident incident rate of 46, compared with 71 in the first half of last year. Our new learning management system focuses on health and safety training. As an online system, it allows us to deliver training efficiently, saving considerable amounts of our people's time, and to monitor their compliance. While it is early days for the system, we are pleased with its performance and are looking to develop its functionality.

Our people remain the Group's most valuable asset and the Board wishes to reiterate its thanks and appreciation for their dedication during a difficult trading period. Our Human Resources Director, Gail Shadlock leads the cultural development of the Group, which emphasises a balance of "head" and "heart", and which is key to operating a happy and motivated business, aimed towards offering the best service to our clients.

FINANCIAL REVIEW

The Operational Review provides a detailed overview of our trading performance during the period. This Financial Review therefore covers other aspects of the Income Statement, our Cash Flows and the Balance Sheet.

Trading overview

Group revenue in the period increased by 4% to £167.8m (2015: £161.3m), with a Like for Like revenue reduction of 17%. Underlying EBITA decreased to £5.1m (2014: £8.9m). We exclude amortisation of acquisition intangibles and exceptional items in calculating underlying EBITA to provide a more appropriate view of underlying operating performance. Underlying EBITA margins fell to 3.1% in the period against 5.5% in the comparative period. Like for Like EBITA was 80% lower at £1.7m (2015: £8.6m). These reductions reflected a challenging market environment, in light of client budget limitations following a requirement for social housing rents to reduce by 1% per annum in the period to April 2020, together with the impact of lower carbon prices in Energy Services and the operational performance issues leading to contract writedowns in Regeneration, discussed further in the Operating Review.

Operating expenses increased 8% to £15.1m in the period (2015: £14.0m), reflecting the new businesses acquired since 31 March 2015. Central costs reduced by 5.3% to £3.4m (2015: £3.6m), reflecting lower share based payment costs in the period.

EBITA decreased to a loss of £1.0m (2015: profit of £2.1m) in light of higher charges for the amortisation of acquisition intangibles as discussed below.

Exceptional items

Exceptional items in the period were £0.6m (2015: £3.9m) and related to acquisition expenses. Exceptional items in the prior period related to acquisitions (£0.3m) and IPO costs (£3.6m). Further details on exceptional items are set out in Note 4.

Amortisation of acquisition intangibles

When Lakehouse acquires businesses, the estimated value of their intangible assets (such as customer contracts and non-compete undertakings from vendors) is recognised on the Group's Balance Sheet. These acquisition intangibles are then amortised over their expected useful lives, estimated at between four and six years. We exclude this amortisation charge from our calculation of adjusted EBITA as the Board believes the underlying operating performance of our business is better understood before such costs.

Amortisation of acquisition intangibles was £5.5m during the period (2015: £2.9m) with the increase of £2.6m reflecting the acquisitions of Providor, Orchard Energy, Sure Maintenance, Aaron Services and Precision Lifts.

Finance expense

Finance expense is the interest charged on our debt facilities and the unwinding of the discount applied to deferred consideration on acquisitions. The expense in the first half was £0.8m (2015: £0.9m).

This expense includes a non-operating sum of £0.4m (2015: £0.2m) relating to the unwinding of discounts on deferred consideration due in respect of acquisitions.

Tax

The effective tax rate for the period was 24%, compared with a statutory rate of corporation tax of 20%, with the difference due to non-deductible expenses incurred in the period. We expect a full year effective tax rate of 24%.

Earnings per share

Our losses for the period were £1.5m (2015: profit of £0.7m). Based on the weighted average number of shares in issue during the period of 157.5m, this resulted in basic losses per share of (1.0)p (2015: earnings of 0.7p).

Adjusted earnings per share were 2.4p (2015: 7.4p). These reflect the add back of amortisation of acquisition intangibles, exceptional items and the unwinding of the discount applied to deferred consideration on acquisitions and generated adjusted earnings of £3.8m (2015: £7.3m).

Balance sheet

The principal items in our Balance Sheet are goodwill, intangible assets and working capital.

	31 March 2016	**31 March 2015**	**30 Sept 2015**
	£m	£m	£m
Goodwill and intangibles	93.1	62.6	83.5
Tangible and other	4.1	5.0	4.2
Fixed assets	97.2	67.6	87.7
Current assets	94.2	79.4	85.9
Cash	2.1	20.6	6.5
Current liabilities	(76.8)	(76.0)	(84.2)
Net current assets/(liabilities)	19.5	24.0	8.2
Non-current liabilities	(11.1)	(8.1)	(10.1)
Debt	(24.7)	-	(0.3)
Net assets	80.9	83.5	85.5
Net current assets (excluding cash)	17.4	3.4	1.7
Net negative work in progress (packaged subcontractors)	(4.2)	(14.5)	(18.0)

We continued to control tightly our use of working capital during the first half but as discussed at the full year, the timing of revenues, method of contract delivery and customer contractual terms can all have an impact on working capital and consequently, cash conversion. Generally, as revenues rise under a packaged subcontractor model, there is a cash benefit, as we are paid more quickly by our clients than we pay our supply chain (referred to as "net negative work in progress"); conversely as revenues fall, we may find payments to subcontractors do not fall in proportion to lower revenues, resulting in negative work in progress turning positive and a cash outflow. We have upscaled our direct labour model in the period, which attracts higher margins, but involves a shorter working capital cycle as we carry higher levels of inventory and pay the workforce more quickly than packaged subcontractors. Clients are increasingly seeking longer payment terms, in particular pushing for payment on completion of work, rather than in stages.

These trends were evidenced in an increase in net current assets excluding cash to £17.4m (31 March 2015 £3.4m; 30 September 2015: £1.7m). The acquisitions of Aaron Services and Precision Lifts contributed £1.7m, with the balance of the increase relating predominantly to a £13.8m reduction in net negative work in progress relating to packaged subcontractors to £4.2m (31 March 2015 £14.5m; 30 September 2015: £18.0m). This arose from a reduction in revenues in our Regeneration (South) business and timing of projects in Construction, both of which employ packaged subcontractor models and are in line with the trends we outlined at the time of the 2015 year end.

As at 31 March 2016, we held provisions of £4.3m (31 March 2015 £5.3m; 30 September 2015: £6.4m). Some £2.1m of these were utilised during the period (further details are set out in Note 11), in line with management expectations, being £1.1m in relation to historic land purchase costs, £0.7m in relation to contract costs and £0.3m of other items.

Deferred consideration on acquisitions is analysed below.

Cash conversion

Operating cash outflow in the period was £11.4m (31 March 2015: inflow of £11.3m; 30 September 2015: inflow of £19.1m) which resulted in an underlying operating cash conversion of (negative 170%) (31 March 2015: 157%; 30 September 2015: 115%). This related predominantly to a reduction in net negative work in progress (discussed above) and an increase in inventories as we increased direct delivery activities.

The Board calculates underlying operating cash conversion as cash generated from operations, plus exceptional cash expenses, divided by adjusted EBITA to provide a consistent comparison of underlying cash generation.

On a steady state basis, we expect to continue to target an average annual underlying operating cash conversion of 80% over the long term.

Net debt and banking facilities

Our net debt balance at the period end stood at £22.6m (31 March 2015: net cash of £21.1m; 30 September 2015: net cash of £6.6m). Net debt reflects £36.5m in acquisition expenditure (including £1.1m of acquisition costs) since 31 March 2015.

Acquisitions

The Group made two acquisitions in the period. Aaron Heating Services was acquired in November 2015 for a gross consideration of £9.1m, comprising £2.6m of net assets (including cash of £0.3m), £3.0m of acquired intangibles (net of deferred tax) and £3.5m of goodwill. Precision Lifts was acquired in December 2015 for a gross consideration of £7.9m, comprising £0.8m of net assets (including cash of £0.5m), £3.5m of acquired intangibles (net of deferred tax) and £3.6m of goodwill. Further details are set out in Note 8.

Deferred consideration

A number of the acquisitions by the Group made in recent years incorporate deferred consideration as part of the transaction terms, some of which depend on the performance of the businesses post-completion.

The table below shows the movement in the total discounted deferred consideration payable and the amount outstanding at the period end.

Acquired business	At 30 September 2015 (£m)	Payments in period (£m)	Additions, including discount unwind (£m)	At 31March 2016 (£m)	Expected payment date
Allied Protection	3.3	(3.0)	-	0.3	Nov 2016
H2O Nationwide	2.3	(0.4)	0.1	2.0	Oct 2016 / Nov 2017
Providor	1.5	-		1.5	Aug 2016
Orchard Energy	1.6	-	0.1	1.7	Dec 2017
Sure Maintenance	0.5	-	-	0.5	Mar 2017
Aaron Heating Services	-	-	2.1	2.1	Jun 2016 / Dec 2017
Precision Lift Services	-	-	1.4	1.4	Dec 2018
	9.2	(3.4)	3.7	9.5	

Risks

The Board considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation were disclosed on pages 30 to 33 of the Annual Report for the year ended 30 September 2015 and are summarised in Note 2 below.

Notwithstanding that no new categories of key risks have been identified in the period, we continue to manage a number of potential risks and uncertainties - many of which are common to other similar businesses including claims and disputes - which could have a material impact on short and longer term performance.

In particular the Board remains focussed on the outcome of a number of contract settlements on which there is a range of outcomes for the Group in terms of both cash flow and impact on the Income Statement.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the six months ended 31 March 2016

Responsibility statement

We confirm to the best of our knowledge that:

1. The condensed set of Interim Financial Statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union;

2. the Interim Report herein includes a fair review of the important events during the first six months and a description of the principal risks and uncertainties for the remaining six months of the year, as required by Rule 4.2.7R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority; and

3. the Interim Management Report includes as applicable, a fair review of disclosure of related party transactions and changes therein, as required by Rule 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

By order of the board

Jeremy Simpson
Chief Financial Officer
16 May 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 March 2016

		Unaudited six months ended 31 March						Audited
	Notes	Underlying results[1] 2016 £'000	Exceptional and other items[1] 2016 £'000	2016 £'000	Underlying results[1] 2015 £'000	Exceptional and other items[1] 2015 £'000	2015 £'000	Year ended 30 September 2015 £'000
Revenue	3	167,811	-	167,811	161,344	-	161,344	340,198
Cost of sales		(147,539)	-	(147,539)	(138,406)	-	(138,406)	(296,760)
Gross profit		20,272	-	20,272	22,938	-	22,938	43,438
Other operating expenses		(15,134)	-	(15,134)	(14,016)	-	(14,016)	(23,738)
Operating profit before exceptional and other items		5,138	-	5,138	8,922	-	8,922	19,700
Exceptional items	4	-	(587)	(587)	-	(3,888)	(3,888)	(8,656)
Amortisation of acquisition intangibles	4	-	(5,554)	(5,554)	-	(2,946)	(2,946)	(6,465)
Operating profit/(loss)	3	5,138	(6,141)	(1,003)	8,922	(6,834)	2,088	4,579
Finance expense		(502)	(326)	(828)	(379)	(530)	(909)	(1,397)
Investment income		21	-	21	57	-	57	20
Profit/(loss) before tax	3	4,657	(6,467)	(1,810)	8,600	(7,364)	1,236	3,202
Taxation	5	(837)	1,111	274	(1,285)	699	(586)	(816)
Profit/(loss) for the period attributable to the equity holders of the Group		3,820	(5,356)	(1,536)	7,315	(6,665)	650	2,386
(Loss)/earnings per share								
Basic	7			(1.0)p			0.7p	1.9p
Diluted	7			(1.0)p			0.5p	1.7p
Underlying earnings per share[1]								
Basic	7	2.4p			7.4p			13.7p
Diluted	7	2.4p			5.9p			12.3p

[1] Underlying results are stated before exceptional and other items. Exceptional and other items are detailed further in Note 4.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2016

	Notes	As at 31 March 2016 £'000 (unaudited)	As at 31 March 2015 £'000 (unaudited)	As at 30 September 2015 £'000 (audited)
Non-current assets				
Goodwill		63,571	44,511	56,267
Other intangible assets		29,589	18,112	27,199
Property, plant and equipment		3,342	2,139	3,126
Trade and other receivables		745	1,306	1,131
Deferred tax asset		-	1,516	-
		97,247	67,584	87,723
Current assets				
Inventories		7,388	5,360	4,635
Amounts due from customers under construction contracts		3,169	2,698	2,053
Trade and other receivables		83,605	70,441	77,538
Corporation tax receivable		-	861	1,683
Cash and cash equivalents	10	2,459	20,743	6,934
		96,621	100,103	92,843
Total assets		193,868	167,687	180,566
Current liabilities				
Amounts due to customers under construction contracts		1,320	1,968	574
Trade and other payables		73,118	73,930	80,344
Finance lease obligations	10	303	147	403
Provisions	11	1,699	-	3,279
Income tax payable		651	-	-
		77,091	76,045	84,600
Net current assets		19,530	24,058	8,243
Non-current liabilities				
Trade and other payables		6,064	2,805	5,013
Loans and borrowings	9, 10	24,524	-	-
Finance lease obligations	10	221	-	340
Provisions	11	2,574	5,337	3,170
Deferred tax liability		2,459	-	1,979
		35,842	8,142	10,502
Total liabilities		112,933	84,187	95,102
Net assets		80,935	83,500	85,464
Equity				
Called up share capital		15,753	15,753	15,753
Share premium account		25,314	25,314	25,314
Share-based payment reserve		709	58	709
Own shares		(290)	-	(290)
Merger reserve		20,067	20,067	20,067
Retained earnings		19,382	22,308	23,911
Equity attributable to equity holders of the Company		80,935	83,500	85,464

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2016

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Own shares £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2014	-	31,820	1,068	-	1	15,917	48,806
Profit for the period	-	-	-	-	-	650	650
Conversion of share options	-	628	(1,205)	-	-	1,205	628
Group restructuring	12,382	(32,448)	-	-	20,066	-	-
Issue of share capital	3,371	25,314	-	-	-	-	28,685
Deferred tax	-	-	-	-	-	4,536	4,536
Share-based payment charge	-	-	195	-	-	-	195
At 31 March 2015	15,753	25,314	58	-	20,067	22,308	83,500
Profit for the period	-	-	-	-	-	1,736	1,736
Purchase of own shares	-	-	-	(290)	-	-	(290)
Share-based payment charge	-	-	651	-	-	-	651
Current tax - Excess tax deductions related to share-based payments	-	-	-	-	-	2,506	2,506
Deferred tax	-	-	-	-	-	(2,639)	(2,639)
At 30 September 2015	15,753	25,314	709	(290)	20,067	23,911	85,464
Loss for the period	-	-	-	-	-	(1,536)	(1,536)
Dividends paid	-	-	-	-	-	(2,993)	(2,993)
At 31 March 2016	15,753	25,314	709	(290)	20,067	19,382	80,935

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2016

	Notes	Six months ended 31 March 2016 £'000 (unaudited)	Six months ended 31 March 2015 £'000 (unaudited)	Year ended 30 September 2015 £'000 (audited)
Cash flows from operating activities				
Cash generated from operations	12	(11,434)	11,279	19,099
Interest paid		(303)	(294)	(460)
Interest received		21	1	11
Taxation		1,165	(1,589)	(1,903)
Net cash generated (used in)/from operating activities		(10,551)	9,397	16,747
Cash flows from investing activities				
Purchase of shares in subsidiaries, net of cash acquired		(14,972)	(9,332)	(29,745)
Purchase of property, plant and equipment		(492)	(823)	(1,169)
Purchase of intangible assets		(164)	(207)	(491)
Sale of property and equipment		53	41	328
Disposal of subsidiary business		-	-	40
Net cash used in investing activities		(15,575)	(10,321)	(31,037)
Cash flows from financing activities				
Proceeds from issue of shares		-	30,000	30,000
Proceeds from issue of pre-existing shares		-	974	975
Dividends paid		(2,993)	-	-
Proceeds from revolving credit facility		25,000	-	-
Repayment of bank borrowings		-	(11,667)	(11,667)
Repayments to finance lease creditors		(218)	(83)	(237)
Purchase of own shares		-	-	(290)
Finance issue costs		(138)	(472)	(472)
Share issue costs paid		-	(1,315)	(1,315)
Net cash generated from financing activities		21,651	17,437	16,994
Net (decrease)/increase in cash and cash equivalents		(4,475)	16,513	2,704
Cash and cash equivalents at beginning of year		6,934	4,230	4,230
Cash and cash equivalents at end of year		2,459	20,743	6,934

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 March 2016

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 31 March 2016 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 'Interim Financial Reporting'. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements, being the statutory financial statements for Lakehouse plc, as at 30 September 2015, which have been prepared in accordance with IFRS as adopted by the European Union.

The condensed consolidated financial statements for the six months ended 31 March 2016 do not compromise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The condensed consolidated financial statements have been reviewed by Deloitte LLP but have not been audited. Statutory accounts for the year ended 30 September 2015 have been approved by the Board of Directors and delivered to the Registrar of Companies. These accounts, which contained an unqualified audit report under Section 495, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2015.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors regard the foreseeable future as no less than 12 months following publication of its condensed consolidated financial statements. The Directors have considered the Group's working capital forecasts and projections, taking account of reasonably possible changes in trading performance and the current state of its operating market, and are satisfied that the Group should be able to operate within the level of its current facilities, which run to December 2018. Accordingly, they have adopted the going concern basis in preparing the financial information.

Seasonality

The Group has seasonal influences in specific areas. The Compliance division experiences higher activity levels in Gas and Lift services in colder weather, leading to higher working capital requirements and lower profitability in winter, and the opposite in the summer. Within Energy Services it is not possible to render walls or use fixing glue at temperatures below three degrees centigrade. As such, weather has an influence on this business, meaning that the Group has to seek to increase capacity during warmer periods to compensate for time lost during colder ones.

2. Principal risks and uncertainties

The nature of the principal risks and uncertainties faced by the Group have not changed significantly from those set out on pages 30 to 33 of the 2015 Lakehouse plc Group Annual Report and Financial Statements and is not expected to change over the next six months. These are summarised below:

- The public sector and regulated industries provide the majority of our revenue, so our business is heavily dependent on UK, Scottish and local government policy with regard to expenditure on improving and maintaining social housing and public buildings and to public expenditure levels in general. Energy Services in particular may be susceptible to changes in Government Energy policy.

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

- 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.

- In our industry, the valuation and recognition of revenue requires significant judgement by management. Our Construction division operates under long term fixed price contracts and our Regeneration division recognises revenue based on a valuation of the work in progress, with reference to a contracted schedule of rates. The valuation of revenue includes the determination of estimated costs to complete, amount of margin to be recognized and percentage of completion of work in progress. Our Energy brokerage business performs a significant level of service prior to the outset of any contract and we therefore recognize a proportion of revenues at the outset of the contract, with the balance over the contract term.

- Poor operational delivery or shortfall in conduct by the Company or its employees could lead to a local loss in trust and reputation with a client or customer and a material loss of service or event could result in the loss of a framework.

- The success of the Group is dependent on recruiting, retaining, motivating and developing sufficient appropriately skilled and competent people at all levels of its organization.

- We provide our services in a range of potentially high risk environments: working in homes, public buildings, at height, with water, electrical and gas services and lone operatives in vans.

- The Group has made, and may make, acquisitions of complementary companies and businesses as part of its growth strategy. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 31 March 2016

3. Operating segments

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

- Compliance
- Energy Services
- Regeneration
- Construction

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

The following is an analysis of the Group's revenue and Underlying EBITA by reportable segment:

	Six months ended 31 March 2016 £'000 (unaudited)	Six months ended 31 March 2015 £'000 (unaudited)	Year ended 30 September 2015 £'000 (audited)
Revenue			
Compliance	43,141	19,322	36,625
Energy Services	41,045	27,208	68,047
Regeneration	63,241	79,326	161,733
Construction	21,679	36,689	73,439
Total segment revenue	169,106	162,545	339,844
Inter-segment elimination	(1,295)	(1,201)	(3,211)
Total underlying revenue	167,811	161,344	336,633
Businesses being exited (Construction segment)	-	-	3,565
Revenue from external customers	167,811	161,344	340,198

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

Reconciliation of Underlying EBITA to profit before taxation

	Six months ended 31 March 2016 £'000 (unaudited)	Six months ended 31 March 2015 £'000 (unaudited)	Year ended 30 September 2015 £'000 (audited)
Underlying EBITA by segment			
Compliance	2,583	2,752	4,509
Energy Services	3,003	3,420	9,570
Regeneration	1,872	4,409	10,510
Construction	1,024	1,871	4,838
Central costs [1]	(3,344)	(3,530)	(7,203)
Total underlying EBITA	5,138	8,922	22,224
Contract losses on businesses being exited (Construction segment)	-	-	(2,524)
Amortisation of acquisition intangibles	(5,554)	(2,946)	(6,465)
Exceptional costs	(587)	(3,888)	(8,656)
Investment income	21	57	20
Finance costs	(828)	(909)	(1,397)
(Loss)/profit before taxation	(1,810)	1,236	3,202

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2016

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

	Six months ended 31 March 2016 £'000 (unaudited)	Six months ended 31 March 2015 £'000 (unaudited)	Year ended 30 September 2015 £'000 (audited)
Contract losses on businesses being exited	-	-	2,524
Exceptional items			
Acquisition costs	587	276	803
Contract costs	-	-	2,891
Restructuring	-	-	832
IPO costs	-	3,612	4,130
Total exceptional items	587	3,888	8,656
Amortisation of acquisition intangible assets	5,554	2,946	6,465
Operating loss impact of exceptional and other items	6,141	6,834	17,645
Accelerated amortisation of financing costs	-	355	355
Unwinding discount of deferred consideration	326	175	403
Loss before tax impact of exceptional and other items	6,467	7,364	18,403

Exceptional and other items in the period reduced the Group's profit before tax by £6.5m and related to the following items:

Exceptional items

Acquisition costs comprise legal, professional and other expenditure in relation to acquisition activity during the period and amounted to £0.6m (2015: £0.3m).

Amortisation of acquisition intangibles

Amortisation of acquisition intangibles was £5.5m for the period (2015: £2.9m); with the £2.6m increase reflecting a full year impact of H2O Nationwide, together with the acquisitions of Providor, Orchard Energy and Sure Maintenance in the second half of 2015 and the acquisitions of Aaron Services and Precision Lifts during the period.

Unwinding discount of deferred consideration

Unwinding discount of deferred consideration reflects the present value of deferred sums, discounted at a post-tax rates of between 2.2% and 8.5%, due on outstanding payments for acquisitions.

Accounting treatment

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

Full year outlook

At 31 March 2016, the costs associated with the Extraordinary General Meeting were immaterial and were not considered for separate disclosure. The Board however expects a sum to be reported in Exceptional Items in the full year. The Board was also in discussions with former directors of the Group over the terms of their exit, which had not been agreed at 31 March 2016; again any costs would be expected to be recorded as an exceptional item in the full year. The Board is currently evaluating deferred consideration calculations in line with contractual terms, along with the knock-on impact of the claim raised against the client in respect of previously recognised contract losses; at present, there is a possibility either or both of these items might give rise to further exceptional items (both income and expense) in the second half of the year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2016

5. Taxation

The income tax charge for the six months ended 31 March 2016 is calculated based upon the effective tax rates expected to apply to the Group for the full year of 24% (2015: 23%). Differences between the estimated effective rate of 24% and the statutory rate of 20% are due to non-deductible expenses.

6. Dividends

The final dividend for the year ended 30 September 2015 of 1.9p per share amounting to £3.0m (2014: £nil) was paid on 8 February 2016 to the shareholders on the register at the close of business on 8 January 2016.

7. Earnings (losses) per share

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

	Six months ended 31 March 2016 Number	Six months ended 31 March 2015 Number	Year ended 30 September 2015 Number
Weighted average number of ordinary shares for the purposes of basic loss / earnings per share	157,527,103	98,363,503	127,776,310
Diluted			
Effect of dilutive potential ordinary shares:			
Share options	2,937,081	26,197,449	14,122,892
Weighted average number of ordinary shares for the purposes of diluted loss / earnings per share	160,464,184	124,560,952	141,899,202
(Loss)/earnings for the purpose of basic (losses)/earnings per share being net (loss)/profit attributable to the owners of the Company (£'000's)	(1,536)	650	2,386
Basic (loss)/earnings per share	(1.0)p	0.7p	1.9p
Diluted (loss)/earnings per share	(1.0)p	0.5p	1.7p
Earnings for the purpose of underlying earnings per share being underlying net profit (£'000's)	3,820	7,315	17,489
Underlying basic earnings per share	2.4p	7.4p	13.7p
Underlying diluted earnings per share	2.4p	5.9p	12.3p

The number of shares in issue at 31 March 2016 was 157,527,103.

The weighted average number of Ordinary shares in issue during the year excludes those accounted for in the own shares reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2016

8. Business combinations

Aaron Heating Services Limited
On 2 November 2015 the Group acquired the entire share capital of Aaron Heating Services Limited for consideration as detailed below. Aaron Heating Services Limited's principal activity is that of installation and maintenance of plumbing and heating systems. The effect of the acquisition on the Group's assets and liabilities were as follows:

	Book Value £'000	Fair value adjustments £'000	Provisional fair value £'000
Assets			
Non-current			
Property, plant and equipment	632	(130)	502
Current			
Inventories	1,436	(598)	838
Trade and other receivables	4,431	(17)	4,414
Cash	293	-	293
Total assets	6,792	(745)	6,047
Liabilities			
Non-current			
Provisions	-	(151)	(151)
Deferred tax	(74)	-	(74)
Current			
Trade and other payables	(3,265)	16	(3,249)
Total liabilities	(3,339)	(135)	(3,474)
Net assets acquired	3,453	(880)	2,573
Intangibles acquired			3,679
Deferred tax recognised in respect of intangibles capitalised			(699)
Goodwill capitalised			3,501
			9,054
Satisfied by:			
Cash consideration			6,738
Deferred consideration			2,316
			9,054

The Aaron Heating Services Limited intangible assets are recognised and valued at £3.7m. This represents the expected value to be derived from the acquired customer related contracts, acquired customer relationships and a non-compete agreement. The value placed on these customer-related contracts and relationships is based on the expected post-tax cash inflows over the estimated remaining life of each contract. The cash flows are initially reduced by 10% after year 1 with further deductions thereafter which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships, and then discounted using a post-tax discount rate of 13%. The estimated life for customer contracts is assumed to be the remaining life of each contract, customer relationships are estimated to have a life of five years and the non-compete is estimated to have a life of three years. Other significant fair value adjustments included provisioning for inventory in line with Group policy.

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.

Of the total deferred consideration of £2.3m, £2.1m is contingent on a future earn-out arrangement, with the £0.2m balance relating to a working capital settlement at Completion. Deferred consideration is expected to be paid over the period to December 2017.

All costs of the acquisition have been recognised as an exceptional expense in the Statement of Comprehensive Income in the period in which it was incurred. The total cost recognised is £297,000.

Post-Acquisition results

The results for Aaron Heating Services Limited since the acquisition date, included within the consolidated Statement of Comprehensive Income for the period ended 31 March 2016, are:

	£'000
Revenue	11,043
Profit from operations	699
Interest	-
Profit before tax	699
Taxation	(140)
Profit for the period	559

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2016

8. Business combinations (continued)

PLS Holdings Limited
On 9 December 2015 the Group acquired the entire share capital of PLS Holdings Limited (referred to by the Group as "Precision Lifts") for consideration as detailed below. PLS Holdings Limited's principal activity is that of installation, design and maintenance of lifts. The effect of the acquisition on the Group's assets and liabilities were as follows:

	Book Value £'000	Fair value adjustments £'000	Provisional fair value £'000
Assets			
Non-current			
Property, plant and equipment	60	(26)	34
Current			
Inventories	341	(148)	193
Trade and other receivables	1,975	(148)	1,827
Cash	506	-	506
Total assets	2,882	(322)	2,560
Liabilities			
Non-current			
Provisions	-	(53)	(53)
Deferred tax	(4)	-	(4)
Current			
Trade and other payables	(1,685)	(26)	(1,711)
Total liabilities	(1,689)	(79)	(1,768)
Net assets acquired	1,193	(401)	792
Intangibles acquired			4,279
Deferred tax recognised in respect of intangibles capitalised			(813)
Goodwill capitalised			3,608
			7,866
Satisfied by:			
Cash consideration			5,500
Deferred consideration			2,366
			7,866

The PLS Holdings Limited intangible assets are recognised and valued at £4.3m. This represents the expected value to be derived from the acquired customer related contracts, acquired customer relationships and a non-compete agreement. The value placed on these customer-related contracts and relationships is based on the expected post-tax cash inflows over the estimated remaining life of each contract. The cash flows are initially reduced by 10% after year 1 with further deductions thereafter which the Directors consider is commensurate with the risks associated with capturing returns from the customer relationships, and then discounted using a post-tax discount rate of 13%. The estimated life for customer contracts is assumed to be the remaining life of each contract, customer relationships are estimated to have a life of five years and the non-compete is estimated to have a life of three 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.

Of the total deferred consideration of £2.4m, £1.4m is contingent on a future earn-out arrangement, with the £1.0m balance relating to a working capital settlement at Completion. Deferred consideration is expected to be paid over the period to December 2018.

All costs of the acquisition have been recognised as an exceptional expense in the Statement of Comprehensive Income in the period in which it was incurred. The total cost recognised is £290,000.

Post-Acquisition results

The results for PLS Holdings Limited since the acquisition date, included within the consolidated Statement of Comprehensive Income for the period ended 31 March 2016, are:

	£'000
Revenue	2,531
Profit from operations	93
Interest	-
Profit before tax	93
Taxation	(19)
Profit for the period	74

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2016

8. Business combinations (continued)

Results of all business combinations occurring during the period

Assuming the acquisition date for all business combinations that occurred during the period had been 1 October 2015, the Condensed Consolidated Statement of Comprehensive Income for the Group for the period ended 31 March 2016, would have been:

	£'000
Revenue	171,606
Loss from operations	(840)
Interest	(831)
Loss before tax	(1,671)
Taxation	246
Loss for the period	(1,425)

9. Loans and borrowings

	31 March 2016 £'000 (unaudited)	31 March 2015 £'000 (unaudited)	30 September 2015 £'000 (audited)
Bank loans and credit facilities at amortised cost:			
Current	-	-	-
Non-current	24,524	-	-
	24,524	-	-
Maturity analysis of bank loans and credit facilities falling due:			
In one year or less, or on demand	-	-	-
Between one and two years	-	-	-
Between two and five years	24,524	-	-
After more than five years	-	-	-
	24,524	-	-

In December 2014, the Group renegotiated its bank facilities to provide an overdraft facility of £5m together with a revolving credit facility of £30m. On 4 December 2015, the Group extended the terms of its Revolving Credit facility from £30m to £45m. In addition, the Group has available an overdraft facility of £5 million. All other terms were unchanged. Following the acquisitions of Aaron Heating and Precision Lifts in the period, together with seasonal working capital requirements, £25m of the revolving credit facility was utilised at 31 March 2016 (31 March 2015: £nil).

10. Net debt / cash

	31 March 2016 £'000 (unaudited)	31 March 2015 £'000 (unaudited)	30 September 2015 £'000 (audited)
Cash and cash equivalents	2,459	20,743	6,934
Bank loans and credit facilities	(25,000)	-	-
Unamortised finance costs (included in trade and other receivables)	-	487	418
Unamortised finance costs (included in loans and borrowings)	476	-	-
Finance lease obligations	(524)	(147)	(743)
	(22,589)	21,083	6,609

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2016

11. Provisions

	Share costs	Property development	Legal and other	Total
	£'000	£'000	£'000	£'000
At 1 April 2015	147	1,254	3,936	5,337
Identified on acquisition	-	-	818	818
Additional provision	-	-	2,892	2,892
Released in the year	-	(154)	(493)	(647)
Utilised in the year	(147)	-	(1,804)	(1,951)
At 30 September 2015	-	1,100	5,349	6,449
Identified on acquisition	-	-	204	204
Released in the year	-	-	(580)	(580)
Utilised in the year		(1,100)	(700)	(1,800)
At 31 March 2016	-	-	4,273	4,273
Current provisions	-	-	1,699	1,699
Non-current provisions	-	-	2,574	2,574

Property development

Property development costs represent sums due to the former owners of the land relating to the Manor Road housing development under the terms of the sale. This sum was paid in October 2015.

Legal and other

Other costs relate to property dilapidation obligations, potential contract settlement costs and other potential legal settlement costs. The £1.0m movement since 30 September 2015 related £0.7m to contract costs and £0.3m of other items.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2016

12. Cash generated from operations

	Six months ended 31 March 2016 £'000 (unaudited)	**Six months ended 31 March 2015 £'000** (unaudited)	**Year ended 30 September 2015 £'000** (audited)
Operating (loss)/profit	(1,003)	2,088	4,579
Adjustments for:			
Depreciation	796	377	1,017
Amortisation of intangible assets	5,728	3,129	6,841
Equity-settled share based payments	-	195	846
Profit on disposal of property, plant and equipment	(34)	(22)	(98)
Changes in working capital:			
Inventories	(1,722)	(332)	2,166
Amounts owed by customers under construction contracts	(1,116)	549	1,194
Amounts owed to customers under construction contracts	746	(342)	(1,736)
Trade and other receivables	131	3,585	1,692
Trade and other payables	(12,580)	3,383	3,635
Provisions	(2,380)	(1,331)	(1,037)
Cash generated (used by)/from operations	(11,434)	11,279	19,099

Underlying operating cash conversion calculation

Cash generated (used by)/from operations	(11,434)	11,279	19,099
Exceptional and other cash costs paid in the period	2,702	2,708	6,540
Underlying cash generated (used by)/from operations	(8,732)	13,987	25,639
Operating profit before exceptional and other items	5,138	8,922	22,224
Underlying operating cash conversion %	(170%)	157%	115%

Exceptional and other costs in the period relate to the cash impact of Exceptional and other items disclosed in Note 7 of the financial statements for the year ending 30 September 2015.

13. Related party transactions

There have been no material changes to the related party balances disclosed in the Group's Annual Report and Accounts 2015 and there have been no transactions that have materially affected the financial position or performance of the Group in the six months to 31 March 2016.

Independent review report to Lakehouse plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2016 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
16 May 2016

Corporate directory

Company registration number
9411297

Directors
Ric Piper (Non-Executive Chairman)
Jeremy Simpson (Chief Financial Officer)
Michael McMahon (Executive Director)
Robert Legget (Non-Executive Director and Senior Independent Director)
Jill Ainscough (Non-Executive Director)
Johnathan Ford (Non-Executive Director)
Steve Rawlings (Non-Executive Director)

Company Secretary
Simon Howell

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Financial adviser and stockbroker
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Registrars
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The Registry
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Corporate calendar
Announcement of Final Results
December 2016

Annual General Meeting
February 2017

Announcement of Interim Results
May 2017

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