Lakehouse plc

Interim results to 31 March 2017

Interim results 2017

27 June 2017

Lakehouse plc, the asset and support services group
Unaudited Interim Results for the six months ended 31 March 2017 (H1 FY17)

Continued progress with restructuring programme

Bob Holt, Chairman of Lakehouse commented:

"Since my appointment in July 2016, the executive directors and I have undertaken a wholesale review of the strategy and operations of the Group. During the six months to 31 March 2017 (H1 FY17), the core businesses of Compliance, Energy Services and Construction all performed well, posting underlying double digit EBITA growth. The Property Services business made a loss in the period as we continue to reshape the business into profitable workstreams.

The Group is performing strongly and this is evidenced by the number of new business wins during the period of £267m, bringing the total Order Book to £580m (up 7% since year end). We have been successful in winning both important frameworks and new contracts particularly across Compliance, Energy Services and Construction, endorsing our established market positions.

Overall the strength and resilience of the Group has been demonstrated during the first half and our strategy will be to continue to focus on sustained performance and delivering a consistent high quality client service.

In terms of outlook, we expect trading for the full year will remain in line with management expectations and aim to finalise the operational improvement process within Property Services during the second half."

Financial overview:

The Group financial results reflect continued strength in our core businesses of Compliance, Energy Services and Construction, together with the ongoing operational improvement process within Property Services:

- Notwithstanding revenue growth of 14% within Compliance, Energy Services and Construction, Group revenue decreased by 11% to £149.8m (H1 FY16: £167.8m), reflecting the strategic review and subsequent reduction in our activities within Property Services:
  - Compliance revenue increased by 20% to £51.8m (H1 FY16:£43.2m)
  - Energy Services revenues were £40.3m, a reduction of 2% on the £41.0m recorded in H1 FY16, but 5% ahead after accounting for the exit of our Energy South "externals" business in FY16
  - Construction revenues increased by 28% to £27.6m (H1 FY16:£21.7m)
- Notwithstanding growth of 13% within Compliance, Energy Services and Construction, Underlying Group EBITA1 decreased 49% to £2.6m (H1 FY16: £5.1m), again reflecting the impact of Property Services:
  - EBITA in Compliance grew by 10% to £2.9m (H1 FY16: £2.6m)
  - EBITA in Energy Services fell by £0.6m to £2.4m (H1 FY16: £3.0m), reflecting the £1.1m losses incurred in building our smart metering business, in line with previous expectations (H1 FY16: £nil), which added back would equate to divisional EBITA growth of 18%
  - EBITA in Construction grew by 14% to £1.2m (H1 FY16: £1.0m)
- Underlying EBITA1 margins were 1.7% (H1 FY16: 3.1%):
  - EBITA margins in Compliance, Energy Services and Construction were together flat at 3.1%, notwithstanding the aforementioned £1.1m losses in smart metering
- Net exceptional items of £0.2m reflected a more steady state position.

- Group operating losses were £2.8m, compared to a £1.0m operating loss in H1 FY16, including a charge of £5.2m for amortisation of acquisition intangibles (H1 FY16: £5.5m).

- Loss per share of 2.0p (H1 FY16: loss of 1.0p).

- Our cash is seasonal and H1 consumption was significantly improved on the prior year with an underlying operating cash conversion outflow3 of 12% (H1 FY16: outflow of 170%); our long term sustainable target remains an 80% operating cash conversion inflow.

- Balance sheet remains robust, with net debt of £24.7m (31 March 2016: £22.6m; 30 September 2016: £20.6m); the movement since year end reflects predominantly £2.6m in acquisition expenditure, all relating to deferred consideration payments.

- A dividend payment was made in April 2017 and as a result, the Board has agreed to defer the payment of an interim dividend. We maintain our policy of paying a progressive dividend, so the subject will continue to be reviewed during the second half.

Key performance indicators

- High bidding success rate led to contract wins in the period valued at £267m contributing to an order book of £580m, representing growth of 7% since year end (31 March 2016: £636m; 30 September 2016: £543m).

- The Group is now on 337 frameworks (31 March 2016: 224; 30 September 2016: 244).

- Sales pipeline of £2.5bn as at 31 March 2017 (31 March 2016: £3.4bn; 30 September 2016: £3.2bn) reflects a more targeted approach to business development.

Operational and strategic highlights

- Compliance, Energy Services and Construction all performing well, posting underlying double digit growth in the period.

- Property Services turnaround now well underway with new leadership in place.

- Central costs continue to be managed tightly, falling 17% compared to H1 FY16, with further cost reductions committed during H2.

Outlook

- We are making good progress and the underlying performances of Compliance, Energy Services and Construction in the period were strong.

- The operational improvement actions continue within Property Services, as highlighted at the time of the final results to 30 September 2016.

- In terms of the outlook, we expect trading for the full year will remain in line with management expectations and aim to finalise the operational improvement process within Property Services during the second half.

Enquiries

Lakehouse
Bob Holt, Chairman, 07778 798816
Michael McMahon, Chief Operating Officer
Jeremy Simpson, Chief Financial Officer
Telephone: 01708 758 800

Financial Public Relations
Camarco
Ginny Pulbrook
Tom Huddart
Telephone: 020 3757 4992

Stockdale Securities
Andy Crossley
Antonio Bossi
Telephone: 020 7601 6100

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: Compliance, Energy Services, Property Services and Construction.

The Group was founded in 1988 and is headquartered in Romford, Essex. It currently employs some 2,200 staff from 32 offices across the UK.

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 3 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 3). Underlying profit after tax and underlying earnings per share are net of an imputed tax charge.

3. Underlying operating cash conversion is operating cash flow, plus the cash impact of exceptional and other items (discussed further in Notes 3 and 10), as a percentage of underlying EBITA.

CHAIRMAN'S STATEMENT

Introduction

Strong performance in our core operations

As I discussed in the annual results for the year ending 30 September 2016 (FY16), we expected the year ending 30 September 2017 (FY17) to be one of consolidation, having focused on reviewing the strategy of the Group, controlling costs at every level and stabilising operational performance, whilst retaining a high quality of client service.

I am pleased to report that all of these actions are on track and delighted that the performance of our Compliance, Energy Services and Construction businesses, which made up 80% of revenues during the first half, has been very positive. All posted double digit underlying growth and an excellent number of new contract wins. These businesses are performing in line with our expectations and we remain confident in our strategy to further grow and develop positions of strength in these key markets.

Property Services turnaround ongoing

Inevitably the focus for operational improvement has centred on Property Services, where under new management, we have consolidated our activities and sought to manage our exposure to risk. The focus of the first half has been in closing out legacy works where we felt it important reputationally to deliver on contracts through to finalisation. These are drawing to a close in the main, with the key remaining actions in concluding a number of final account negotiations.

As part of the wider review of operations, we examined the bidding process from identified pipeline through to secured new wins to ensure we target those clients with whom we can build secure long term relationships, based on an appropriate balance of risk and return. This led to a temporary moratorium in bidding for Property Services work, with bidding only re-commencing mid-way though the period.

Growth in order book

The Board is encouraged that high bidding success rates, subject to the strategy outlined above, are being achieved by the Group. Contract wins in the period totalled £267m, contributing to a period-end order book of £580m, representing a 7% increase over the £543m reported at 30 September 2016. This more focussed approach has brought, particularly, a significant benefit in our Compliance business.

The order book level was below the £636m reported at 31 March 2016 and reflects the planned withdrawal from our externals works and reduction in bidding activity in Property Services during the first half. The underlying growth in the order book across our core activities in Compliance, Energy Services and Construction (representing £475m of the £580m) was up 4% period on period (31 March 2016: £456m of the £636m). This should be seen in context as reflecting a more strategic approach, as we continue to be highly focussed in the types of work we take on and clients we work with.

Sharper focus in how we view frameworks

We are placed on frameworks which carry a large overall value and of which our order book represents a subset. As part of the wider drive for operational improvement, we have refocused the Group's commercial team and as part of this process, overhauled the way we look at framework valuation. We have defined "frameworks" to include secured term contracts (where we are guaranteed work), along with framework contracts which are subject to mini tender. The number of frameworks at 31 March 2017 stood at 337 with a value of £1.7bn, up from 224 at 31 March 2016 (value: £1.6bn) and 244 at 30 September 2016 (value £1.6bn).

Pipeline revisions reflect a more strategic approach

Our pipeline represents target contracts, which range from pre-qualification through to submitted tenders where we have yet to hear the result. As I outlined above, we are taking a more strategic approach to bidding, with a focus on quality over quantity, such that the overall opportunity for the Group remains strong. We will therefore continue to review our pipeline during the second half.

Our Group sales pipeline stood at £2.5bn at 31 March 2017, a reduction on the £3.4bn reported at 31 March 2016 and £3.2bn at 30 September 2016. This however includes a period on period growth rate of 3% across Compliance, Energy Services and Construction, with the overall reduction attributable to Property Services.

Our valuations of order book, frameworks and pipeline were determined as at 31 March 2017. Following the period end, we continued to be successful in bidding for new work in our core businesses, particularly in Compliance, details of which are given in the Operational Review.

Financial results: overview

The first half has been very pleasing as Compliance, Energy Services and Construction all showed excellent progression in trading and we benefitted from retaining tight control over central costs, which will continue to fall. As anticipated, Property Services remains in a turnaround situation and the losses incurred reflect the closing out of legacy contractual matters, as opposed to any significant underlying operational challenges.

Group revenue was 11% lower at £149.8m (H1 FY16: £167.8m), reflecting, as expected, the decline in Property Services. Revenue in Compliance, Energy Services and Construction together grew by 14%.

Underlying Group EBITA declined by 49% to £2.6m (H1 FY16: underlying EBITA of £5.1m), representing a margin of 1.7% (H1 FY16: 3.1%). EBITA in Compliance, Energy Services and Construction together grew by 13%, with margins maintained overall, notwithstanding the £1.1m losses incurred in building our smart metering business, in line with previous expectations.

Operating losses were £2.8m (H1 FY16: losses of £1.0m), after amortisation of acquisition intangibles of £5.2m (H1 FY16: £5.5m) and exceptional items of a net cost of £0.2m.

Losses before tax were £3.6m, down 99% (H1 FY16: loss of £1.8m). Losses after tax were £3.1m (H1 FY16: loss of £1.5m), resulting in a loss per share of 2.0p (H1 FY16: loss of 1.0p).

At 31 March 2017, the Group had net debt of £24.7m (31 March 2016: £22.6m and 30 September 2016: £20.6m), comprising cash and other items of £0.3m, together with a £25m drawing under our revolving credit facility, out of a total facility of £40m, which reduced to £35m on 3 April 2017. The increase in net debt reflects £2.6m in acquisition expenditure in the period, all relating to contractual deferred consideration payments.

Underlying operating cash conversion was ahead of our expected performance for the half year with an outflow of 12% (H1 FY16: outflow of 170%), details of which are outlined in the Financial Review below. This related to normal seasonal patterns, reflecting an unwinding of working capital in Construction and Property Services. Our long term target for annual operating cash conversion remains 80%. Operating cash outflow in the period was £1.1m (H1 FY16: outflow of £11.4m and FY16: outflow of £3.0m). After adjusting for the flow through of exceptional items from the prior year, underlying operating cash in the period represented an outflow of £0.3m (H1 FY16: outflow of £8.7m and FY16: inflow of £13.2m), a good performance.

Board and people

I am pleased to say that we continue to have a settled Board. Ric Piper departed as planned in November 2016 with our thanks for his valuable contribution and very best wishes for the future.

Our divisional management has similarly remained stable and we look forward to working together to continue to drive the strategy and operational improvements that will deliver value for all of our stakeholders.

Most importantly, on behalf of the Board, I would like to thank all of our employees for their ongoing dedication and the critical role they play in our success. We continue to invest in our teams, who represent the heart and lifeblood of our business.

Dividend

A dividend payment was made in April 2017 and as a result, the Board has agreed to defer the payment of an interim dividend. We maintain our policy of paying a progressive dividend, so the subject will continue to be reviewed during the second half.

Outlook

We made very good progress in the period and the underlying performances of Compliance, Energy Services and Construction were strong. The operational improvement actions continue within Property Services, as highlighted at the full year stage.

We expect trading for the full year will remain in line with management expectations and we aim to finalise the operational improvement process within Property Services during the second half.

OPERATIONAL REVIEW

Compliance (35% of Group Revenue / H1 FY16: 26%)

Compliance: six months ended 31 March	2017	2016	Change
Revenue (£m)	51.8	43.2	20%
Underlying EBITA (£m)	2.9	2.6	10%
Underlying EBITA margin	5.5%	6.0%	(50)pts

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. Gas services comprise some three quarters of the division and based on purchasing data, we understand Lakehouse to be the largest gas business in the social housing sector and second only to British Gas in the wider UK market.

We are typically paid for service and repair work on a fixed price basis evenly through the year. The Gas and Lifts businesses (which make up more than 80% of the division's annual revenues) have far greater 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 and those same engineers can be deployed in works that attract further income. As a result, a significant proportion of the division's annual profit will arise during the second half of the financial year.

With this in mind, Compliance was slightly ahead of management expectations during the period, with the performance in gas notably strong, along with our water and air hygene activities. This reflected a strong end to the half, with a number of clients seeking to complete works prior to the public sector year end in March.

Overall, revenue increased by 20% to £51.8m, albeit annualising for the acquisitions of Aaron and Precision in FY16, the rise was 9%. The growth was driven predominantly by new contract wins, which we discuss further below.

EBITA was 10% higher at £2.9m, resulting in an EBITA margin of 5.5%, down by 50pts, with the main movement one of mix through the annualised impact of Aaron and Precision during Q1 in what were lower profit months. The annualised EBITA impact of Aaron and Precision were less than £0.2m, in light of the seasonality of these businesses. We continue in our expectations for a positive progression in margins for the full year.

The Compliance board is now well established and focused on collaborating in matters such as procurement and operating efficiencies, co-operation in contract bidding and cross-selling. A notable success this year has been in the support each business has provided in winning and delivering work, which will allow us to deliver the best service to clients in each region of operation. This allows us to provide a truly national offering and deliver the best service at competitive rates to our client base.

We discussed in our trading update on 7 March 2017, a number of great wins in the period for each business in the division, which included a £7m commercial gas programme with London & Quadrant over five years, a £2.8m heating and boiler replacement programme with Central Bedfordshire Council, a £2m heating servicing and repairs contract with Derbyshire County Council over two years, a £1m fire equipment service and maintenance contract with Shepherd's Bush Housing Association over three years, a four year legionella framework with Procurement for All potentially worth £650,000 and a £1.6m lift modernisation programme with the London Borough of Hammersmith and Fulham.

Since our last announcement, the division has had even more success, including a potentially transformational win with Guinness Trust, where we bid on and secured all three regions on a national tender, reinforcing our capabilities across the country. We expect the contract to be worth in excess of £5m p.a. over its four year term. We were also delighted to secure a £9.1m heating service and maintenance contracts with Places for People, a lift maintenance contract with Westminster City Council worth £27m over ten years, a £0.4m fire systems term services contract for Coventry City Council, a £0.5m water hygiene maintenance contract with London Borough of Ealing, a £4.9m heating service and maintenance contract with Southern Housing Group over four years and a £1.6m boiler replacement programme with Corby Borough Council. In addition, we have recently secured places on the Eastern Procurement framework, potentially worth £1.6m per annum and also won a £5m heating services contract with Moat Housing via the SEC framework.

At 31 March 2017, Compliance was on 196 frameworks, up from 98 at 31 March 2016 and 108 at 30 September 2016, with an aggregate value of £553m (31 March 2016: £355m and 30 September 2016: £447m).

The outlook for our Compliance businesses remains strong and we currently expect the division to perform slightly ahead of management expectations.

Energy Services (27% of Group Revenue / H1 FY16: 24%)

Energy Services: six months ended 31 March	2017	2016	Change
Revenue (£m)	40.3	41.0	(2)%
Underlying EBITA (£m)	2.4	3.0	(19)%
Underlying EBITA margin	6.1%	7.3%	(120)pts

Energy Services provides a range of energy efficiency services for social housing and private homes through its Everwarm subsidiary, comprising predominantly insulation and heating systems, along with other lines such as renewable technologies and electrical vehicle charging points. The division does not however install aluminium composite or rain screen cladding on high rise buildings. Everwarm also uses these services to deliver carbon emissions savings for energy companies, enabling them to meet their legislative targets. In addition, the division offers smart metering services through Providor and energy brokerage and consultancy through Orchard Energy, to customers throughout the UK.

The insulation business makes up the largest part of the division and is driven by seasonal influences, as we are unable to render or use fixing glue necessary for insulation at temperatures below three degrees. As a result, we typically experience a far larger number of productive working days in summer, compared to winter months, with the result that the business sees higher revenues and margins in H2. This year, we have invested significantly in the roll-out of our smart metering activities during H1, which in turn impacted half on half profitability.

Revenue was £40.3m in the period, 2% down on the comparative period, but up 5% after excluding Energy South, an "externals" business operated by the former Property Services team which we closed in FY16, as discussed in our FY16 annual results. There was no annualised impact of acquisitions.

EBITA declined by 19% to £2.4m (H1 FY16: £3.0m), due to the £1.1m losses incurred in building our smart metering business, Providor. This was reflected in margins of 6.1%, down from 7.3% in the comparative period. We currently expect Providor to make a second half profit, meaning these losses would be in line with previous guidance. After adding back the £1.1m losses in building smart metering, EBITA grew by 18% versus the comparative period.

We have seen a stabilisation in carbon prices that underly the energy subsidy funding for our insulation measures, although margins overall remain tight. We saw a pleasing uptick in volumes from the Scottish Government's flagship Home Energy Efficiency Programme for Scotland ("HEEPS") in the first half, although we may see a reduction in the second half if funding availability tightens. The business remains interested in delivering energy efficiency measures in greater volumes outside Scotland, although we have yet to see or source suitable market opportunities to take advantage of our years of industry experience, particularly in England. We had hoped to participate in the reprocurement of the Welsh Government's NEST programme in December 2016, but the process has been delayed, with no available timescale. We have no insight into the likely impact on our business of the recent General Election, but continue to believe that insulation offers a low cost and highly effective means of reducing energy consumption and alleviating fuel poverty. The insulation sector as a whole lacks a strong voice in Westminster and we are investigating options to increase the visibility of the Everwarm's offering nationally.

Providor has seen a steady improvement in engineer utilisation during the period, an important Key Performance Indicator in determining profitability. This has been accompanied by a review of pricing as the complexities of the smart meter installation programme become more apparent. Providor is one of only a handful of operators capable of managing a national roll-out of smart meter installation and we are confident that we have built a strong market position with future opportunity for growth through partnership with the leading energy utilities. We are also developing our service offering as a licenced meter asset manager to both gas and electricity suppliers, which carries annual revenues beyond the imminent smart meter installation programme.

Orchard Energy, our energy procurement and advisory services business, continues to perform well, in what is an important growth sector. We have seen a steady growth in our utility services advisory offering, which is an important and complementary service to our core brokerage market. Orchard prides itself on levels of customer service, which are essential in securing the best rates for customers, as we can model solutions based on their specific energy needs. The deregulation of the water sector took effect in England and Wales on 1 April 2017, which we expect will deliver future growth, albeit over time, as water management remains an education process for users. We have had notable successes with users such as schools and hotels and believe there to be a significant opportunity as an appreciation of potential savings becomes apparent to customers.

As we announced on 7 March 2017, we were delighted to secure a major contract with Scottish Power, covering the West Midlands, which is in addition to an existing contract covering Northern Scotland, Wales and North West England. The West Midlands contract requires the installation of some 400,000 meters, comprising both smart meters and "business as usual" installations, with a value of £39m over its four year term. With our work for Utilita and E, we now have between 1.25m and 1.5m meters under contract for installation over the next four years and continue to discuss opportunities with other operators, albeit we are being cautious on taking on further work while we continue to focus on mobilising our current contracts.

Elsewhere we announced that Energy Services had secured important External Wall Insulation contracts with Fife Council, Rosehill Housing Association, Grampian Housing Association and the London Borough of Camden. Since 7 March 2017, we have had further successes securing a place on the multi-million pound Scotland Excel framework, EWI work for Almond (£1.8m) and North Ayrshire (£1m), our first non-domestic win.

Energy Services is now on 55 frameworks, up from 36 at 30 September 2016 (31 March 2016: 33), with an aggregate value of £438m (31 March 2016: £309m and 30 September 2016: £427m).

Energy Services continues to perform in line with management expectations and we remain optimistic for future opportunities.

Property Services (20% of Group Revenue / H1 FY16: 37%)

Property Services: six months ended 31 March	2017	2016	Change
Revenue (£m)	30.7	63.2	(51)%
Underlying EBITA (£m)	(1.1)	1.9	(157)%
Underlying EBITA margin	(3.5)%	3.0%	(650)pts

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

- Lakehouse Property Services: operates in London and the South East
- Foster: operates in East Anglia and the East Midlands

Divisional revenue was £30.7m in the period (FY16: £63.2m), down 51%, reflecting the closure of our directly delivered externals business ("Roofing"), together with a more general reduction in activity as we sought to stabilise the business. The business posted an EBITA loss of £1.1m (H1 FY16: profit of £1.9m), which was below expectations and reflected our clean-up of legacy issues, together with a frustrating inconsistency in workflows from certain key clients, leading to a lack of overhead recovery, which we addressed during the period as part of the turnaround exercise. This is discussed in further detail below.

Lakehouse Property Services has represented a significant operational turnaround, given the challenges experienced in Roofing in FY16. We installed a new leadership team late in FY16 who have done a very good job in stabilising operations. The immediate focus of the team has been in closing out legacy contracts, which have steadily come to a conclusion and are expected to complete finally in the second half. The main outstanding items surround closing out final account negotiations on these legacy contracts and we took the precaution of creating a reserve at 31 March 2017, discussed within Exceptional Items in the Financial Review and note 3. A key focus will be to ensure we avoid further writedowns and minimise liabilities, but an inevitable uncertainty and risk will remain until the legacy contracts are closed out, expected to be in the second half of the year.

Looking forward, Lakehouse Property Services has overhauled its commercial management and reviewed the risk in projects taken on. We have prudently walked away from a number of risky projects before they started, along with exiting certain frameworks. We have therefore sought to work only with those clients with whom we can form an effective relationship based on excellent service and mutual trust. Inevitably we have had to reduce headcount, the costs of which are discussed further in note 3.

Foster has a strong regional brand. However, we saw a significant slowing of work in the period as certain clients provided inconsistent volumes of work under our frameworks. We responded by reducing staffing levels, particularly among the senior ranks and now have a smaller, but ambitious and enthusiastic leadership team in place to take the business forward. We also instigated a thorough review of operating expenditure, particularly property, stores, vans and telephony, which brought the cost base down steadily during the period. We have however seen signs of improvement among existing clients since the period end.

As with any turnaround, we do not expect immediate results and anticipate a second half loss in the Property Services business.

Whilst this has been a challenging period, the division has secured several encouraging wins, including repair and maintenance contracts for Hastoe Group (£2.3m over four years) and Colchester Borough Homes (£0.2m p.a. over three years), together with planned maintenance contracts with South Holland District Council (£5.3m over five years), Havebury Housing Partnership (£1.8m over three years) and City West Homes (£1m this year). Most significantly, we secured an important new four year planned maintenance framework with Network Homes, which provides the division with access to works on 20,000 properties in our core operating areas of London, Hertfordshire and the South East, which we would expect to translate into contracted works of £2m to £3m p.a. over the contract period.

We remain highly selective in taking on further work in Property Services, which is evidenced in the overall reduction in the Group's order book and pipeline. Property Services is now on 64 frameworks (31 March 2016: 64; 30 September 2016: 71), with an aggregate value of £355m (31 March 2016: £548m; 30 September 2016: £370m).

Construction (18% of Group Revenue / H1 FY16: 13%)

Construction: six months ended 31 March	**2017**	**2016**	**Change**
Revenue (£m)	27.6	21.7	28%
Underlying EBITA (£m)	1.2	1.0	14%
Underlying EBITA margin	4.2%	4.7%	(50)pts

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.

Revenues of £27.6m represented a growth of 28% on the figure for the same period in the prior year of £21.7m. Whilst representing an excellent level of growth, we nevertheless continue to experience delays on new contracts related to the changed two stage procurement process, which can extend projects by 12 months. In this context, the achievement is ever more significant as the business remains strong and profitable.

EBITA was £1.2m, representing a growth of 14% on the figure for the same period in the prior year of £1.0m and reflected the higher volumes achieved. The EBITA margin was 4.2%, down 50pts on the comparative period, which largely reflects mix and timing of contract revenues.

As we discussed on 7 March 2017, we were delighted that the Chadwell Heath Campus at Redbridge College, a Lakehouse design and build project, won the Light and Exterior Surface award at the recent Surface Design Awards, demonstrating the quality and innovation Lakehouse brings to such works. Since our last trading update, we were pleased to be awarded three Considerate Constructor awards for Oxhey, Bounds Green and Ellen Wilkinson Schools at the recent National Considerate Constructors Awards, which recognises the efforts and initiatives that the Lakehouse team bring to their projects and community. The division has also secured a number of important wins including an £8.9m contract for Hackbridge School (London Borough of Sutton), a £3.3m contract for Colville School (London Borough of Kensington & Chelsea), a £3.8m contract for Galleywall School (City of London) and a £5.1m contract for West Hatch School (Essex County Council).

We have continued our policy of bidding selectively, with a particular eye on risk versus return, continuing a model that has stood the business well in the past. The expected increase in secondary and higher education appears to be coming through and with it, a slight increase in average project size, which is now in the range of £4m to £5m.

The number of frameworks fell to 22 at 31 March 2017, from 29 as at 31 March 2016 and 30 September 2016, with an aggregate value of £335m (31 March 2016: £368m; 30 September 2016: £353m). The fall reflects a strategic decision not to retender, along with certain frameworks ceasing and migrating into other procurement hubs. Our opportunity therefore remains consistent with prior periods.

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, Cash Flows and the Balance Sheet.

Trading overview

Revenue was 11% lower at £149.8m (H1 FY16: £167.8m), reflecting as expected, the decline in Property Services. Revenue in Compliance, Energy Services and Construction together grew by 14%.

Underlying EBITA declined by 49% to £2.6m (H1 FY16: underlying EBITA of £5.1m), representing a margin of 1.7% (H1 FY16: 3.1%). EBITA in Compliance, Energy Services and Construction together grew 13%, with margins maintained overall, notwithstanding the £1.1m losses incurred in building our smart metering business, in line with previous expectations. In determining underlying EBITA, we exclude exceptional and other items, as outlined in Note 3. 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.

Operating losses were £2.8m (H1 FY16: losses of £1.0m), after amortisation of acquisition intangibles of £5.2m (H1 FY16: £5.5m) and exceptional items of a net cost of £0.2m.

Losses before tax were £3.6m, down 99% (H1 FY16: loss of £1.8m). Losses after tax were £3.1m (H1 FY16: loss of £1.5m), resulting in losses per share of 2.0p (H1 FY16: loss of 1.0p).

Operating expenses decreased 14% to £13.0m in the period (H1 FY16: £15.1m), reflecting the outcome of the operational improvement plan discussed at the half year last year, together with a drive for operational efficiency. Central costs reduced by 17% to £2.8m (H1 FY16: £3.4m), reflecting reductions to central departments, as we moved to empower businesses locally.

Exceptional items

Net exceptional items in the period amounted to £0.2m, reflecting a more steady state. We took a £1.3m (2016: £nil) reserve for the final account settlements for the exited Roofing business, together with a small restructuring charge of £0.3m (2016: £nil), discussed above in the operational review of Property Services. Against this, we secured a successful outcome of £0.5m (2016: £nil) on a series of adjudications associated with the resolution of historic matters on a specific contract and saw a £0.9m (2016: £nil) release of deferred consideration in relation to the early settlement of Orchard Energy Limited (discussed below), together with a review of gross balances outstanding on other historic acquisitions. Further details are provided in note 3.

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 £5.2m during the period (H1 FY16: £5.5m) with the decrease of £0.3m reflecting the fact that we have taken amortisation charges in prior periods, meaning we are amortising a reduced base of intangible assets.

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 flat at £0.8m (H1 FY16: £0.8m), albeit we expect the year as a whole to show a rise, reflecting the higher rate of interest on our renegotiated revolving credit facility.

This expense includes a non-operating sum of £0.1m (H1 FY16: £0.4m) relating to the unwinding of discounts on deferred consideration due in respect of acquisitions.

Tax

The effective tax rate for the period was 14%, compared with a statutory rate of corporation tax of 20%.

Earnings per share

Our losses for the period were £3.1m (H1 FY16: loss of £1.5m). Based on the weighted average number of shares in issue during the period of 157.5m, this resulted in basic losses per share of 2.0p (H1 FY16: loss per share of 1.0p). Our underlying basic earnings per share were 0.9p (H1 2016: 2.4p).

Cash conversion

Underlying operating cash conversion was ahead of our expected performance in the half year with an outflow of 12% (H1 FY16: outflow of 170%). This reflected an unwinding of working capital in Construction and Property Services, where the value of negative work in progress relating to our packaged subcontractor model fell from £12.0m at 30 September 2016 to £4.0m at 31 March 2017 (31 March 2016: negative work in progress of £4.2m). Whilst this trend is expected due to the seasonal nature of our activities, the reduction was exacerbated by the two stage contract delays in Construction, discussed above, together with the ongoing revenue decline within Property Services.

Operating cash conversion was strong in Compliance and Energy Services, together exceeded 100%, notwithstanding the seasonal challenges in our gas businesses, which incur higher overtime and materials costs (and investment in inventory) in the winter.

Operating cash outflow in the period was £1.1m (H1 FY16: outflow of £11.4m and FY16: outflow of £3.0m). After adjusting for the flow through of exceptional items from the prior year, underlying operating cash in the period represented an outflow of £0.3m (H1 FY16: outflow of £8.7m and FY16: inflow of £13.2m). 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

At 31 March 2017, the Group had net debt of £24.7m (31 March 2016: £22.6m and 30 September 2016: £20.6m), comprising cash and other items of £0.3m, together with a £25m drawing under our revolving credit facility, out of a total facility of £40m, which reduced as agreed to £35m on 3 April 2017. Net debt reflects £2.6m in acquisition expenditure in the period, all relating to deferred consideration payments.

Statement of financial position

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

	31 March 2017	**31 March 2016**	**30 Sept 2016**
	£m	£m	£m
Goodwill and intangibles	64.3	93.1	69.3
Tangible and other	5.8	4.1	4.7
Fixed assets	70.1	97.2	74.0
Current assets	80.2	94.2	75.7
Net cash and equivalents	0.1	2.1	(0.3)
Current liabilities	(71.2)	(76.8)	(68.4)
Net current assets	9.1	19.5	7.0
Non-current liabilities	(6.5)	(11.1)	(9.7)
Debt	(24.8)	(24.7)	(20.3)
Net assets	47.9	80.9	51.0
Net current assets (excluding cash)	9.0	17.4	7.3
Net negative work in progress (packaged subcontractors)	(4.0)	(4.2)	(12.0)

Net current assets excluding cash were £9.0m (31 March 2016 £17.4m; 30 September 2016: £7.3m). We continued to control tightly our use of working capital during the first half but as discussed above, the movement in negative work in progress impacted the value of net current assets, together with a rise in inventories, reflecting the seasonal needs of our gas businesses, together with the mobilisation of new metering contracts in Providor. We continue to focus on receivables, which stood at 37 days at 31 March 2017 (31 March 2016: 38 days) and have invested in our credit control function, where we have some particularly dedicated individuals.

Goodwill and intangibles fell from £69.3m at 30 September 2016 to £64.3m at 31 March 2017 (31 March 2016: £93.1m), reflecting amortisation of £5.2m in the period.

As at 31 March 2017, we held provisions of £4.7m (31 March 2016 £4.3m; 30 September 2016: £4.9m). Some £0.5m was utilised in in the period in relation to resolving the ongoing matters to which the provisions pertain, in line with management expectations. Further details are set out in Note 9.

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.

A sum of £2.6m was paid in the period in respect of Allied Protection (£0.3m) and H2O Nationwide (£0.5m) reflecting non-contingent deferred sums due to the vendors under the relevant sale & purchase agreements. The Board also agreed to pay the sums due to the vendors of Orchard early, representing a payment of £1.8m, in return for a significant discount on the maximum sum due, that the Board felt represented good value for the Group.

The net sums due under deferred consideration stood at £2.5m at 31 March 2017 (31 March 2016: £9.5m; 30 September 2016: £5.9m).

Audit Position

These interim statements are unaudited, as the Company's shares have been admitted to trading on AIM. This provides a significant cost-saving.

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 2016.

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, particularly in Property Services, on which there is a range of outcomes for the Group in terms of both cash flow and impact on the Income Statement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 March 2017

	Notes	Unaudited six months ended 31 March 2017 £'000	Unaudited six months ended 31 March 2016 £'000	Audited year ended 30 September 2016 £'000
Revenue	2	149,802	167,811	333,838
Cost of sales		(134,257)	(147,539)	(300,059)
Gross profit		15,545	20,272	33,779
Other operating expenses		(13,019)	(15,134)	(32,556)
Share of results of joint venture		90	-	537
Operating profit before exceptional and other items		2,616	5,138	1,760
Exceptional costs	3	(1,107)	(587)	(5,742)
Exceptional income	3	924	-	2,672
Impairment of goodwill and intangible assets acquired	3	-	-	(19,204)
Amortisation of acquisition intangibles	3	(5,254)	(5,554)	(11,156)
Operating loss	2	(2,821)	(1,003)	(31,670)
Finance expense		(818)	(828)	(1,657)
Investment income		34	21	46
Loss before tax	2	(3,605)	(1,810)	(33,281)
Taxation	4	522	274	4,013
Loss for the period attributable to the equity holders of the Group		(3,083)	(1,536)	(29,268)
Loss per share				
Basic		(2.0)p	(1.0)p	(18.6)p
Diluted		(2.0)p	(1.0)p	(18.6)p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2017

	Notes	As at 31 March 2017 £'000 (unaudited)	As at 31 March 2016 £'000 (unaudited)	As at 30 September 2016 £'000 (audited)
Non-current assets				
Goodwill		47,626	63,571	47,338
Other intangible assets		16,692	29,589	21,947
Property, plant and equipment		2,622	3,342	2,826
Interest in joint venture		1,027	-	537
Trade and other receivables		2,148	745	1,359
		70,115	97,247	74,007
Current assets				
Inventories		7,443	7,388	5,187
Amounts due from customers under construction contracts		3,308	3,169	3,161
Trade and other receivables		68,523	83,605	65,633
Corporation tax receivable		20	-	1,451
Deferred tax asset		897	-	229
Cash and cash equivalents	8	302	2,459	-
		80,493	96,621	75,661
Total assets		150,608	193,868	149,668
Current liabilities				
Amounts due to customers under construction contracts		630	1,320	690
Trade and other payables		68,197	73,118	65,801
Loans and borrowings	8	-	-	71
Finance lease obligations	8	230	303	222
Provisions	9	2,358	1,699	1,904
Income tax payable		-	651	-
		71,415	77,091	68,688
Net current assets		9,078	19,530	6,973
Non-current liabilities				
Trade and other payables		4,201	6,064	6,236
Loans and borrowings	7,8	24,523	24,524	20,586
Finance lease obligations	8	224	221	164
Provisions	9	2,308	2,574	2,974
Deferred tax liability		-	2,459	-
		31,256	35,842	29,960
Total liabilities		102,671	112,933	98,648
Net assets		47,937	80,935	51,020
Equity				
Called up share capital		15,753	15,753	15,753
Share premium account		25,314	25,314	25,314
Share-based payment reserve		776	709	776
Own shares		(290)	(290)	(290)
Merger reserve		20,067	20,067	20,067
Retained earnings		(13,683)	19,382	(10,600)
Equity attributable to equity holders of the Company		47,937	80,935	51,020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 March 2017

	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 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
Loss for the period	-	-	-	-	-	(27,732)	(27,732
Dividends paid	-	-	-	-	-	(1,575)	(1,575
Share-based payment charge	-	-	67	-	-	(67)	-
Current tax - Excess tax deductions related to share-based payments	-	-	-	-	-	(608)	(608
At 30 September 2016	15,753	25,314	776	(290)	20,067	(10,600)	51,020
Loss for the period	-	-	-	-	-	(3,083)	(3,083)
At 31 March 2017	15,753	25,314	776	(290)	20,067	(13,683)	47,937

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 March 2017

	Notes	Unaudited six months ended 31 March 2017 £'000	Unaudited six months ended 31 March 2016 £'000	Audited year ended 30 September 2016 £'000
Cash flows from operating activities				
Cash used in operations	10	(1,139)	(11,434)	(3,014)
Interest paid		(505)	(303)	(808)
Interest received		31	21	46
Taxation		1,286	1,165	(268)
Net cash used in operating activities		(327)	(10,551)	(4,044)
Cash flows from investing activities				
Purchase of shares in subsidiaries, net of cash acquired		(2,588)	(14,972)	(17,672)
Purchase of property, plant and equipment		(494)	(492)	(819)
Purchase of intangible assets		(202)	(164)	(291)
Sale of property and equipment		102	53	160
Loan to associate		-	-	(250)
Net cash used in investing activities		(3,182)	(15,575)	(18,872)
Cash flows from financing activities				
Dividend paid to shareholders		-	(2,993)	(4,568)
Proceeds from bank borrowings		4,000	25,000	21,000
Repayments to finance lease creditors		68	(218)	(357)
Finance issue costs		(186)	(138)	(164)
Net cash generated from financing activities		3,882	21,651	15,911
Net increase / (decrease) in cash and cash equivalents		373	(4,475)	(7,005)
Cash and cash equivalents at beginning of year		(71)	6,934	6,934
Cash and cash equivalents at end of year		302	2,459	(71)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 March 2017

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 31 March 2017 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 2016, which have been prepared in accordance with IFRS as adopted by the European Union.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2017

The condensed consolidated financial statements for the six months ended 31 March 2017 do not compromise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2016 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 2016.

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, nor perform cladding work in high winds. As such, weather has an influence on this business, meaning that the Group has to plan to increase capacity during warmer and more settled periods to compensate for time lost during colder ones.

2. 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
- Property Services
- 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:

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Audited year ended 30 September 2016
	£'000	£'000	£'000
Revenue			
Compliance	51,767	43,141	91,023
Energy Services	40,268	41,045	67,436
Property Services	30,771	63,241	98,143
Construction	27,643	21,679	52,051
Total segment revenue	150,449	169,106	308,653
Inter-segment elimination	(647)	(1,295)	(2,866)
Total underlying revenue	149,802	167,811	305,787
Mobilisation of smart metering	-	-	2,803
Contract revenue on businesses being exited	-	-	25,248
Revenue from external customers	149,802	167,811	333,838

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2017

2. Operating segments (continued)

Reconciliation of Underlying EBITA to loss before taxation

	Unaudited six months ended 31 March 2017 £'000	Unaudited six months ended 31 March 2016 £'000	Audited year ended 30 September 2016 £'000
Underlying EBITA by segment			
Compliance	2,853	2,583	6,169
Energy Services	2,447	3,003	8,026
Property Services	(1,062)	1,872	780
Construction	1,168	1,024	3,606
Central costs [1]	(2,790)	(3,344)	(7,672)
Total underlying EBITA	2,616	5,138	10,909
Mobilisation of smart metering	-	-	(2,493)
Contract losses on businesses being exited	-	-	(6,656)
Exceptional costs	(1,107)	(587)	(5,742)
Exceptional income	924	-	2,672
Impairment of goodwill and intangible assets acquired	-	-	(19,204)
Amortisation of acquisition intangibles	(5,254)	(5,554)	(11,156)
Operating loss	(2,821)	(1,003)	(31,670)
Finance costs	(818)	(828)	(1,657)
Investment income	34	21	46
Loss before taxation	(3,605)	(1,810)	(33,281)

[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 2017

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

	Unaudited six months ended 31 March 2017 £'000	Unaudited six months ended 31 March 2016 £'000	Audited year ended 30 September 2016 £'000
Contract losses on businesses being exited	-	-	6,656
Smart metering mobilisation costs	-	-	2,493
Total 'Other Items'	-	-	9,149
Acquisition costs	14	587	642
Final account provisions	1,321	-	-
Impairment of receivables	(540)	-	2,567
Restructuring	312	-	2,533
Total exceptional costs	1,107	587	5,742
Release of deferred consideration	(924)	-	(2,672)
Total exceptional items	183	587	3,070
Impairment of goodwill and intangible assets acquired	-	-	19,204
Amortisation of acquisition intangible assets	5,254	5,554	11,156
	5,437	6,141	42,579
Unwinding discount of deferred consideration	140	326	587
Total exceptional and other items	5,577	6,467	43,166

3. Exceptional and other items, including amortisation of acquisition intangibles (continued)

Exceptional and other items in the period reduced the Group's profit before tax by £5.6m 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 £14,000 (2016: £0.6m).

Final account provisions of £1.3m (2016: £nil) reflected management caution surrounding final account settlement on a number of legacy "Roofing" contracts in the Property Services division.

Impairment of receivables, representing an income of £0.5m (2016: £nil) reflected the successful outcome of a series of adjudications associated with the resolution of historic matters on a specific contract where a charge had been taken at 30 September 2016, further details of which are outlined in note 7 of our Annual Report and Accounts for the year ending 30 September 2016.

Restructuring of £0.3m (2016: £nil) reflects in the main, costs associated with the turnaround of the Property Services division during the period.

Release of deferred consideration of £0.9m (2016: £nil) reflects the early settlement at a discount of deferred consideration due in respect of Orchard Energy Limited, together with a review of the gross balances outstanding on other historic acquisitions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2017

Amortisation of acquisition intangibles

Amortisation of acquisition intangibles was £5.2m for the period (2016: £5.5m); with the £0.3m reduction reflecting the fact that we have taken amortisation charges in prior periods, meaning we are amortising a reduced base of intangible assets.

Unwinding discount of deferred consideration

Unwinding discount of deferred consideration of £0.1m (2016: £0.4m) 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.

4. Taxation

The effective tax rate for the period was 14%, compared with a statutory rate of corporation tax of 20%.

5. Dividends

The proposed final dividend for the year ended 30 September 2016 of 0.5 pence per share amounting to £0.8m and representing a total dividend of 1.5 pence for the full year (2015: 1.9 pence per share), was paid on 6 April 2017 to the shareholders on the register at the close of business on 10 March 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2017

6. (Losses) / earnings per share

	Unaudited six months ended 31 March 2017 Number	Unaudited six months ended 31 March 2016 Number	Audited year ended 30 September 2016 Number
Weighted average number of ordinary shares for the purposes of basic loss / earnings per share	157,527,103	157,527,103	157,527,103
Diluted			
Effect of dilutive potential ordinary shares:			
Share options	6,221,895	2,937,081	2,897,178
Weighted average number of ordinary shares for the purposes of diluted loss / earnings per share	163,748,998	160,464,184	160,424,281
Loss for the purpose of basic and diluted earnings per share being net loss attributable to the owners of the Company (£'000)	(3,083)	(1,536)	(29,268)
Basic loss per share	(2.0)p	(1.0)p	(18.6p)
Diluted loss per share	(2.0)p	(1.0)p	(18.6p)
Earnings for the purpose of underlying earnings per share being underlying net profit attributable to the owners of the Company (£'000)	1,382	3,820	8,178
Adjusted basic earnings per share	0.9p	2.4p	5.2p
Adjusted diluted earnings per share	0.8p	2.4p	5.1p

The number of shares in issue at 31 March 2017 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.

7. Loans and borrowings

	31 March 2017 £'000	31 March 2016 £'000	30 September 2016 £'000
Bank loans and credit facilities at amortised cost:			
Current	-	-	71
Non-current	24,523	24,524	20,586
	24,523	24,524	20,657
Maturity analysis of bank loans and credit facilities falling due:			
In one year or less, or on demand	-	-	71
Between one and two years	24,523	-	-
Between two and five years	-	24,524	20,586
After more than five years	-	-	-
	24,523	24,524	20,657

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2017

In December 2014, the Group renegotiated its bank facilities to provide an overdraft facility of £5m together with a Revolving Credit Facility ("RCF") of £30m, which was extended to £45m in December 2015. The Group agreed a variation to the RCF in January 2017 with Royal Bank of Scotland to reduce the RCF to £40m and further reduce the facility to £35m in April 2017. The variation to the RCF included a revision to the banking covenants, which reflect the lower earnings expectations of the Group, and a higher rate of interest.

8. Net debt

	31 March 2017 £'000	31 March 2016 £'000	30 September 2016 £'000
Cash and cash equivalents / (overdraft)	302	2,459	(71)
Bank loans and credit facilities	(25,000)	(25,000)	(20,586)
Unamortised finance costs (included in trade and other receivables)	-	-	414
Unamortised finance costs (included in loans and borrowings)	477	476	-
Finance lease obligations	(454)	(524)	(386)
	(24,675)	(22,589)	(20,629)

9. Provisions

	Legal and other £'000
At 1 April 2016	4,273
Identified on acquisition	558
Additional provision	885
Utilised in the period	(838)
At 30 September 2016	4,878
Adjustment relating to acquisitions	288
Utilised in the period	(500)
At 31 March 2017	4,666
Current provisions	2,358
Non-current provisions	2,308

Legal and other

Other costs relate to property dilapidation obligations, potential contract settlement costs and other potential legal settlement costs. The largest figure relates to the potential contract settlement costs which have been made on management review of contractual obligations faced on legacy contracts and include exceptional remediation expenses associated with the resolution of historic matters on a specific contract, as referred to in our annual results to 30 September 2016. These are expected to result in an outflow of economic benefit over the next one to two years. Some £0.5m was utilised in in the period in relation to resolving the ongoing matters to which the provisions pertain.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 31 March 2017

10. Cash generated from operations

	Unaudited six months ended 31 March 2017 £'000	Unaudited six months ended 31 March 2016 £'000	Audited year ended 30 September 2016 £'000
Operating loss	(2,821)	(1,003)	(31,670)
Adjustments for:			
Depreciation	672	796	1,621
Amortisation of intangible assets	5,457	5,728	11,479
Impairment of goodwill and intangible assets acquired	-	-	19,204
Profit on disposal of property, plant and equipment	(76)	(34)	(95)
Change in provisions	(500)	(2,380)	(2,334)
Changes in working capital:			
Inventories	(2,256)	(1,722)	478
Amounts owed by customers under construction contracts	(147)	(1,116)	(1,108)
Amounts owed to customers under construction contracts	(60)	746	116
Trade and other receivables	(4,234)	131	16,706
Trade and other payables	2,826	(12,580)	(17,411)
Cash used by operations	(1,139)	(11,434)	(3,014)
Underlying operating cash conversion calculation			
Cash used by operations	(1,139)	(11,434)	(3,014)
Exceptional and other cash costs paid in the period	832	2,702	16,226
Underlying cash (used by)/generated from operations	(307)	(8,732)	13,212
Underlying operating profit before exceptional items and amortisation of acquisition intangibles	2,616	5,138	10,909
Underlying operating cash conversion %	(12%)	(170%)	121%

Exceptional and other costs in the period relate to the cash impact of Exceptional and other items disclosed in Note 3.

11. Related party transactions

There have been no material changes to the related party balances disclosed in the Group's Annual Report and Accounts 2016 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 2017.

Lakehouse plc
1 King George Close
Romford
Essex
RM7 7LS

Tel: 01708 758 800

www.lakehouse.co.uk

Lakehouse plc