

K & T Heating Services Limited

Directors' report and financial statements

Registered number 05158607

30 September 2012



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Company information

Directors

S T Birrane
A R Cox
J W Day
D Greenfield
D K Miller
S E Rawlings
M D Sewell

Secretary

P D Broider

Auditor

Chantrey Vellacott DFK LLP
Chartered Accountants
Statutory Auditor
Russell Square House
10 – 12 Russell Square
London
WC1B 5LF

Bankers

The Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Registered office

Thames House Stone Foundry
Estate 669 Woolwich Road
Charlton
London
SE7 8LH

Company registration number

05158607

Directors' report

The directors present their annual report and the audited financial statements for the fourteen months ended 30 September 2012

Principal activities

The principal activity of the company continued to be that of plumbing and heating engineers

Business review

The directors are pleased to report on another period of progress for the company. Turnover increased from £9.4 million in the year ended 31 July 2011 to £12.8 million for the fourteen months ended 30 September 2012.

The profit on ordinary activities before taxation increased from £1.5 million in the year ended 31 July 2011 to £2.9 million for the fourteen months ended 30 September 2012.

The directors believe that the company is in a strong position to achieve further growth in the forthcoming year despite the continuing wider economic difficulties.

The company continues to focus on delivering a quality service to its clients and the directors believe that this will be an important factor in securing additional contracts in the future.

We also believe that developing and maintaining strong relationships with our clients will be key to the company's future success and we will continue to work hard to provide an efficient and cost-effective solution to its customers.

Following the change of ownership, the directors look forward to working with Lakehouse to continue to build a larger, robust and profitable business.

Change of ownership

On 14th October 2011, the entire issued share capital was acquired by Lakehouse Contracts Limited. Lakehouse Contracts Limited is a wholly-owned subsidiary of Lakehouse Holdings Limited. Lakehouse Contracts Limited offers a wide range of building services to public sector clients, primarily in the social housing, education, and public buildings sectors.

The directors believe that the change of ownership will provide additional growth opportunities for the company providing access to a wider range of clients within a similar marketplace and geographical area.

Following the acquisition, the company changed its accounting reference date to 30 September.

Principal risks and uncertainties

The nature of the company's business is such that its revenues are concentrated on a relatively small number of local authority and social housing clients. The company mitigates this risk by ensuring that it maintains a strong relationship with its clients whilst, at the same time, seeking to add further long term contracts that will provide security of future income.

The key risks to the company are the following:

- Changes in market led price competition
- Change in economic conditions
- Reduction in public sector expenditure
- Supply chain risks

The directors have implemented a number of monitoring and control systems designed to minimise these risks.

Policy and practice on payment of creditors

The company seeks to comply with the contractual terms and conditions of payment in accordance with those agreed with each supplier.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows

S F Birrane (appointed 14 October 2011)
A R Cox (appointed 14 October 2011)
J W Day
D Greenfield
D K Miller
S E Rawlings (appointed 14 October 2011)
M D Sewell

None of the directors who held office at the end of the financial year had any interests in the ordinary shares of the company

Employees

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retaining of employees who become disabled while employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

The flow of information to staff has been maintained through our staff newsletters. The directors regularly meet with company's employees and discuss company strategy and any issue affecting the company.

The board would like to express its appreciation to all its employees for their commitment and hard work during a challenging year.

Political and charitable contributions

During the period the company made charitable donations of £5,300 (2011 - £1,579). There were no political contributions.

Disclosure of information to auditors

The directors who held office at the date of the approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing their annual accounts.

Auditors

Chantrey Vellacott DFK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed by order of the directors



P D Broider
Secretary

Thames House Stone Foundry
Estate 669 Woolwich Road
Charlton
London

SE7 8LH

14 June 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of K & T Heating Services Limited

We have audited the financial statements of K & T Heating Services Limited for the fourteen months ended 30 September 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its profit for the period of fourteen months then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



GARETH JONES FCA (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London

14 June 2013

Profit and loss account
for the fourteen month period ended 30 September 2012

	<i>Note</i>	2012 (14 months) £	2011 (12 months) £
Turnover	2	12,826,886	9,428,442
Cost of sales		(8,644,991)	(6,389,079)
Gross profit		4,181,895	3,039,363
Administrative expenses		(1,301,251)	(1,561,224)
Operating profit	3	2,880,644	1,478,139
Interest payable	4	(11,274)	(4,550)
Interest receivable	4	330	1,286
Profit on ordinary activities before taxation		2,869,700	1,474,875
Tax on profit on ordinary activities	7	(733,780)	(429,455)
Retained profit for the year		2,135,920	1,045,420

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

There is no difference between the profits shown above and their historical cost equivalents

The notes on pages 9 to 17 form part of these financial statements

Balance sheet
At 30 September 2012

	<i>Note</i>	30 Sept 2012 £	30 Sept 2012 £	31 July 2011 £	31 July 2011 £
Fixed assets					
Tangible assets	9		424,708		556,714
Current assets					
Stocks	10	28,760		30,851	
Debtors	11	4,291,970		2,109,480	
Cash at bank		1,830,595		1,279,355	
		6,151,325		3,419,686	
Creditors amounts falling due within one year	13	(2,037,633)		(1,502,535)	
Net current assets			4,113,692		1,917,151
Total assets less current liabilities			4,538,400		2,473,865
Creditors: amounts falling due after more than one year	14		(41,057)		(92,466)
Provisions for liabilities and charges	12		(421)		(20,397)
Net assets			4,496,922		2,361,002
Capital and reserves					
Called up share capital	15	5,000		5,000	
Profit and loss account	16	4,491,922		2,356,002	
Equity shareholders' funds	17	4,496,922		2,361,002	

These financial statements were approved and authorised by the board of directors on 14 June 2013 and were signed on its behalf by



S E Rawlings
Director

Registered number 05158607

The notes on pages 9 to 17 form part of these financial statements

Cash flow statement

	<i>Notes</i>	2012 (14 mths) £	2012 (14 mths) £	2011 (12 mths) £	2011 (12 mths) £
Net cash inflow from operating activities			1,063,775		1,606,675
Returns on investments and servicing of finance:					
Interest paid		(11,274)		(4,550)	
Interest received		330		1,286	
Net cash (outflow) from returns on investments and servicing of finance			(10,944)		(3,264)
Taxation			(409,567)		(334,343)
Capital expenditure:					
Payments to acquire tangible fixed assets		(54,685)		(295,579)	
Receipts from disposal of fixed assets		14,450		62,502	
Net cash outflow from capital expenditure			(40,235)		(233,077)
Equity dividends paid			-		(260,000)
Cash inflow before financing			603,028		775,991
Financing					
Capital element of hire purchase contracts		(51,787)		(121,206)	
Net cash outflow from financing			(51,787)		(121,206)
Increase in cash	<i>18</i>		551,240		654,785
Reconciliation of operating profit to net cash inflow from operating activities			2012 (14 mths) £	2011 (12 mths) £	
Operating profit			2,880,644	1,478,139	
Depreciation			174,799	195,634	
Profit on disposal of fixed assets			(2,558)	(13,801)	
Change in stocks			2,091	(6,426)	
Change in debtors			(2,182,490)	(463,309)	
Change in creditors			191,289	416,438	
Net cash inflow from operating activities			1,063,775	1,606,675	

The notes on pages 9 to 17 form part of these financial statements

Notes

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention

As the company is a wholly-owned subsidiary of Lakehouse Contracts Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 ("Related Party Disclosures") and has, therefore, not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Lakehouse Contracts Limited within which this company is included, can be obtained from the Company Secretary, Lakehouse Contracts Limited, 1 King George Close, Romford, Essex RM7 7LS

Turnover

Turnover represents amounts receivable for goods and services provided during the period exclusive of VAT and trade discounts. Income arising from the provision of maintenance services is recognised on an equal monthly basis over the duration of the contract. Income from heating system servicing and installation services is recognised when a right to consideration has been obtained through performance.

Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the estimated useful economic life of that asset as follows:

Leasehold buildings	-	Straight line over ten years
Plant & machinery	-	25% per annum on a reducing balance basis
Fixtures & fittings	-	25% per annum on a reducing balance basis
Motor vehicles	-	25% per annum on a reducing balance basis

Operating leases and hire purchase commitments

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate on the balance of capital repayments outstanding.

Stock

Stock is valued at the lower of cost and net realisable value, where cost is determined on a first in first out basis.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £20,528 (2011 - £229,036).

At the year end, £441 of contributions were payable to the fund (2011 - £457).

Notes (continued)

1 Accounting policies (continued)

Taxation and deferred taxation

The charge for taxation is based on the profit for the year. Deferred taxation is recognised in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by Financial Reporting Standard 19 ("Deferred Taxation").

Financial instruments

Financial assets such as cash and debtors are measured at the present value of the amounts receivable, less an allowance for the expected level of doubtful receivables. Financial liabilities such as trade creditors, loans and finance leases are measured at the present value of the obligation. An equity instrument is any contract that evidences a residual interest in the assets of the company after deduction of all of its liabilities.

2 Turnover

The total turnover of the company for the year has been derived from its principle activity wholly undertaken in the United Kingdom.

3 Operating profit

	2012 (14 mths) £	2011 (12 mths) £
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of owned tangible fixed assets	174,799	195,634
(Profit)/loss on disposal of fixed assets	(2,558)	(13,801)
Auditors' remuneration		
Audit fees	8,398	12,750
Operating lease rentals		
Land and buildings	98,956	59,181
Plant and machinery	7,500	84,655
	<u>174,799</u>	<u>195,634</u>

4 Interest

	2012 (14 mths) £	2011 (12 mths) £
<i>Interest payable:</i>		
Hire purchase interest	11,274	4,550
	<u>11,274</u>	<u>4,550</u>
<i>Interest receivable</i>		
Bank interest	330	1,286
	<u>330</u>	<u>1,286</u>

Notes (continued)

5 Remuneration of directors

	2012 (14 mths) £	2011 (12 mths) £
<i>Director's emoluments</i>		
Directors' emoluments	436,481	472,363
Pension contributions	16,600	225,692
	<u>453,081</u>	<u>698,055</u>

Emoluments of highest paid director

	2012 (14 mths) £	2011 (12 mths) £
Total emoluments (excluding pension contributions)	143,080	161,604
Pension contributions	4,800	109,846
	<u>147,880</u>	<u>271,450</u>

	2012 (14 mths) £	2011 (12 mths) £
<i>Number of directors accruing benefits under the company pension schemes</i>		
Defined contribution money purchase schemes	3	3

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2012 (14 mths) No	2011 (12 mths) No
Directors	4	4
Office and administration	28	25
Direct labour	85	82
	<u>117</u>	<u>111</u>

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	4,376,713	3,799,396
Social security costs	514,196	440,295
Other pension costs	20,528	229,036
	<u>4,911,437</u>	<u>4,468,727</u>

Notes (continued)

7 Taxation

Analysis of tax charge in year

	2012 (14 mths) £	2011 (12 mths) £
<i>UK Corporation tax</i>		
Current tax on income for the year	753,756	409,568
<i>Deferred tax</i>		
Origination/reversal of timing differences	(17,622)	19,924
Effect of tax rate change on opening balance	(2,354)	(37)
	<u>733,780</u>	<u>429,455</u>

The tax charge for the current and prior year is lower than the standard rate of corporation tax of 25% (2011 26%) The differences are explained below

	2012 (14 mths) £	2011 (12 mths) £
Profit on ordinary activities before taxation	2,869,700	1,474,875
Current tax at 25% (2011 26%)	717,425	383,468
Effect of		
Expenses not deductible for tax purposes	12,943	26,263
Difference between capital allowances and depreciation	19,154	(20,095)
Other	4,234	19,932
Current tax charge for year	<u>753,756</u>	<u>409,568</u>

8 Dividends

	2012 (14 mths) £	2011 (12 mths) £
Equity dividends paid	-	260,000

Notes (continued)

9 Tangible fixed assets

	Leasehold Buildings £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost					
At 31 July 2011	12,789	124,716	93,749	937,116	1,168,370
Additions	-	14,189	4,952	35,544	54,685
Disposals	-	-	-	(35,945)	(35,945)
At 30 September 2012	12,789	138,905	98,701	936,715	1,187,110
Depreciation					
At 31 July 2011	6,415	103,180	75,214	426,847	611,656
Charge for year	1,492	14,728	7,322	151,257	174,799
Disposals	-	-	-	(24,053)	(24,053)
At 30 September 2012	7,907	117,908	82,536	554,051	762,402
Net book value					
At 30 September 2012	4,882	20,997	16,165	382,664	424,708
At 30 July 2011	6,374	21,536	18,535	510,269	556,714

10 Stocks

	30 Sept 2012 £	31 July 2011 £
Work in progress	28,760	30,851

11 Debtors

	30 Sept 2012 £	31 July 2011 £
Trade debtors	1,409,852	1,133,317
Amounts owed by group undertakings	1,837,934	-
Prepayments and accrued income	1,013,391	893,376
Other	30,793	82,787
	4,291,970	2,109,480

Notes (continued)

12 Deferred taxation

	30 Sept 2012 £	31 July 2011 £
The deferred taxation included in the Balance Sheet is as follows		
Included in provisions for liabilities and charges	421	20,397
The movement in the deferred taxation account during the year was		
Balance brought forward	20,397	510
Profit and loss account movement arising during the year (note 7)	(19,976)	19,887
Balance carried forward	421	20,397

The balance on the deferred taxation account consists of the tax effect of timing differences in respect of

	30 Sept 2012 £	31 July 2011 £
Accelerated capital allowances	421	20,397

13 Creditors: amounts falling due within one year

	30 Sept 2012 £	31 July 2011 £
Trade creditors	530,255	480,272
Net obligations under hire purchase contracts	6,238	6,616
Corporation tax	753,756	409,568
PAYE and social security	119,124	131,491
VAT	433,563	238,397
Accruals and deferred income	142,252	148,350
Other	52,445	87,841
	2,037,633	1,502,535

Notes (continued)

14 Creditors – amounts falling due after more than one year

	30 Sept 2012 £	31 July 2011 £
Net obligations under hire purchase contracts	41,057	92,466
Obligations under hire purchase agreements are secured on the assets concerned		
Net obligations under hire purchase contracts.		
Repayable within one year	6,238	6,616
Repayable between two and five years	41,057	92,466
	47,295	99,082
Included in liabilities falling due within one year	(6,238)	(6,616)
	41,057	92,466

15 Called up share capital

	30 Sept 2012 £	31 July 2011 £
Authorised		
5,000 Ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
5,000 (2011 5 000) Ordinary shares of £1 each	5,000	5,000

16 Profit and loss account

	2012 £	2011 £
Balance brought forward	2,356,002	1,570,582
Profit for the financial year	2,135,920	1,045,420
Equity dividends	-	(260,000)
Balance carried forward	4,491,922	2,356,002

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the year	2,135,920	1,045,420
Equity dividends	-	(260,000)
Net additions to shareholders' funds	2,135,920	785,420
Opening shareholders' funds	2,361,002	1,575,582
Closing shareholders' funds	4,496,922	2,361,002

18 Notes to the statement of cash flows

	2012 £	2011 £	
(a) Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period	551,240	654,785	
Change in net funds	551,240	654,785	
Opening net funds	1,279,355	624,570	
Closing net funds	1,830,595	1,279,355	
(b) Analysis of changes in net funds			
	At 1 Aug 2011 £	Cash flows £	At 30 Sep 2012 £
Cash at bank and in hand	1,279,355	551,240	1,830,595
Net funds	1,279,355	551,240	1,830,595

19 Capital commitments

There were no capital commitments contracted but not provided for in the year (2011 none)

Notes (continued)

20 Operating lease commitments

At 30 September the company had annual commitments under non-cancellable operating leases as set out below

	2012		2011	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Between two and five years	-	7,500	-	5,308
After more than five years	72,912	-	60,000	-
	<u>72,912</u>	<u>7,500</u>	<u>60,000</u>	<u>5,308</u>

21 Related party transactions

The company is a wholly owned subsidiary of Lakehouse Contracts Limited, the consolidated accounts of which are publicly available. Lakehouse Contracts Limited is a wholly owned subsidiary of Lakehouse Holdings Limited, the consolidated accounts of which are publicly available.

Accordingly, the company has taken advantage of the exemption in paragraph 3 (c) of FRS 8 from disclosing transactions and balances with members of the Lakehouse Holdings Limited group.

Prior to the acquisition of the company by Lakehouse Contracts Limited, there were no transactions with any company within the Lakehouse Holdings Limited group.

22 Ultimate controlling party

K & T Heating Services Limited is a wholly owned subsidiary of Lakehouse Contracts Limited, a company incorporated in England and Wales. Lakehouse Contracts Limited is a wholly owned subsidiary of Lakehouse Holdings Limited, a company incorporated in England and Wales.