

K & T Heating Services Limited

**Annual Report and Financial Statements
Registered number 05158607**

30 September 2016

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K & T HEATING SERVICES LIMITED

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K & T HEATING SERVICES LIMITED

COMPANY INFORMATION

Directors

J W Day
D Greenfield
J J C Simpson
M McMahon

Secretary and registered office

S Howell
1 King George Close
Romford
Essex
RM7 7LS

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Gatwick
United Kingdom

Bankers

The Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Company registration number

05158607

K & T HEATING SERVICES LIMITED

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 September 2016.

Principal activity

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

Key strategy

Our core strategy is to achieve turnover and profit growth through winning new contracts and by offering a high quality service and from benefiting from the strategic advantages of being part of a larger group.

The Directors believe that the following factors comprise the significant influences on the Company's strategy:

Regulatory requirements: social landlords are subject to obligations to protect the tenants residing in their properties such as maintenance of gas boilers (Gas Safety (Installation and Use) Regulations 1998 Approved Code of Practice and Guidance).

Mix of work: the Company will typically secure a planned service contract to satisfy specified regulatory obligations for its client. This may, in turn, lead to further work in responsive repairs, installations and other capital upgrade projects that may constitute incremental revenue.

Seasonal influences in the gas market: the Company is subject to seasonal influences primarily in relation to gas services. Activity levels tend to be higher in colder weather periods, leading to higher working capital requirements and lower profitability in winter, and the opposite in the summer.

Reliability and performance of service: in light of the regulatory obligations serviced by the Company, there is a high reliance placed by clients on the quality and reliability of service as a problem, such as the failure of a gas heating system, can have serious repercussions. The Company prioritises service reliability, which involves the periodic use of more expensive sub-contractors to maintain service during busy spells, especially during the mobilisation of new contracts.

We continue to believe that the market in which the Company operates will continue to provide opportunities for further growth.

The directors believe that the outlook for the Company is positive and with the continued investment in the business, providing a high quality service to our clients, and by continuing to work closely with our customers the business will continue to be successful.

Business review

Turnover increased from £18.2million in the year ended 30 September 2015 to £19.4million for the year ended 30 September 2016 due to new contract wins.

The profit on ordinary activities before taxation decreased from £1.4million in the year ended 30 September 2015 to £1.3million for the year ended 30 September 2016. Margins fell as a result of costs of mobilising new contracts, which are expensed as incurred.

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, seeks 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
- Prolonged periods of cold weather

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

K & T HEATING SERVICES LIMITED

STRATEGIC REPORT (continued)

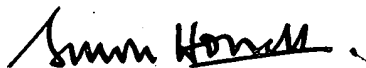
Employees

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 groups of 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.

Signed by order of the directors



S Howell
Secretary

1 King George Close
Romford
Essex
RM7 7LS

31 March 2017

K & T HEATING SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2016.

Directors and directors' interests

The directors who held office during the year were as follows:

J W Day	
D Greenfield	
S T Birrane	(resigned 14 March 2016)
J J C Simpson	
D K Miller	(resigned 14 October 2015)
M D Sewell	(resigned 14 October 2015)
M McMahon	(appointed 1 September 2016)

None of the directors who held office at the end of the financial period had any interests in the ordinary shares of the Company.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Auditor

Deloitte LLP has indicated their willingness to be reappointed for another term. A resolution to re-appoint Deloitte LLP as auditor will be proposed at the Annual General Meeting.

Signed by order of the directors


S Howell
Secretary

1 King George Close
Romford
Essex
RM7 7LS

31 March 2017

K & T HEATING SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they; give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for 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 Financial Reporting Standard 101 Reduced Disclosure Framework has 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities:

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

K & T HEATING SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF K & T HEATING SERVICES LIMITED

We have audited the financial statements of K & T Heating Services Limited for the year ended 30 September 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. 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), including FRS 101 'Reduced Disclosure Framework'.

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

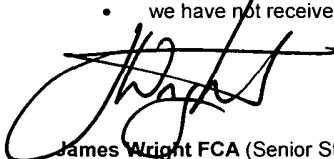
Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.


James Wright FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Gatwick, United Kingdom

31 March 2017

K & T HEATING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 30 September 2016

	Notes	2016 £	2015 £
Turnover	3	19,393,975	18,248,895
Cost of sales		(15,555,996)	(14,372,898)
Gross profit		3,837,979	3,875,997
Other operating expenses		(2,604,634)	(2,594,123)
Operating profit		1,233,345	1,281,874
Net finance costs	4	39,413	72,063
Profit on ordinary activities before taxation	5	1,272,758	1,353,937
Tax on profits on ordinary activities	8	(247,819)	(303,292)
Profit on ordinary activities after taxation and total comprehensive income attributable to the owners of the Company		1,024,939	1,050,645

All of the activities of the Company are classed as continuing

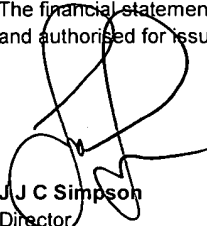
The notes on pages 10 to 19 form part of these financial statements

K & T HEATING SERVICES LIMITED

BALANCE SHEET At 30 September 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	10	<u>223,645</u>	<u>92,582</u>
Current assets			
Stocks	11	163,219	86,501
Debtors - due within one year	12	4,701,032	3,429,900
Debtors - due after more than one year	12	-	2,002,500
Cash at bank and in hand		1,408,609	1,549,171
		<u>6,272,860</u>	<u>7,068,072</u>
Creditors: amounts falling due within one year	14	<u>(4,249,792)</u>	<u>(2,938,880)</u>
Net current assets		<u>2,023,068</u>	<u>4,129,192</u>
Net assets		<u><u>2,246,713</u></u>	<u><u>4,221,774</u></u>
Capital and reserves			
Called up share capital	15	5,000	5,000
Capital contribution		19,317	19,317
Profit and loss account	16	2,222,396	4,197,457
Equity shareholders' funds		<u><u>2,246,713</u></u>	<u><u>4,221,774</u></u>

The financial statements of K & T Heating Services Limited (registered number 05158607) were approved by the board of directors and authorised for issue on 31 March 2017. They were signed on its behalf by:


J J C Simpson
Director

The notes on pages 10 to 19 form part of these financial statements

K & T HEATING SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 30 September 2016

	Called up share capital	Capital Contribution	Profit and loss account	Total
	£	£	£	£
Balance at 1 October 2014	5,000	-	7,153,677	7,158,677
Profit for the year and total comprehensive income for the year	-	-	1,050,645	1,050,645
Share based payment charge	-	19,317	-	19,317
Equity dividends paid (note 9)	-	-	(4,006,865)	(4,006,865)
Balance at 30 September 2015	5,000	19,317	4,197,457	4,221,774
Profit for the year and total comprehensive income for the year	-	-	1,024,939	1,024,939
Equity dividends paid (note 9)	-	-	(3,000,000)	(3,000,000)
Balance at 30 September 2016	<u>5,000</u>	<u>19,317</u>	<u>2,222,396</u>	<u>2,246,713</u>

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

K&T Heating Services Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 and 3.

The prior period results relate to the year ended 30 September 2015.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Lakehouse plc. These financial statements are available to the public and can be obtained as set out in note 18.

Going concern

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

Turnover

Turnover and profit are recognised as follows:

(a) Service contracts

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

- The amount of turnover can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Company has recognised turnover dependent on the nature of transactions in line with IAS 18 'Revenue'. There are a range of contractual arrangements that require consideration:

(i) Schedule of Rates ("SOR") contracts

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

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

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

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 September 2016

1. Accounting policies (continued)

Turnover (continued)

(b) Other income

(i) Contract variations

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

(ii) Preliminaries income and pre-contract costs

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

During the current and prior year the main stream of turnover was generated from Schedule of Rates contracts.

Tangible fixed assets and depreciation

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

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

Leasehold Improvements	-	over the term of the lease
Plant & machinery	-	20% per annum on a straight line basis
Fixtures & fittings	-	15% to 33% per annum on a straight line basis
Motor vehicles	-	25% per annum on a straight line basis

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Stocks

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

Operating leases

Amounts due under operating leases are charged to the profit and loss account in equal annual installments over the period of the lease.

Pension costs

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

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

1. Accounting policies (continued)

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

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

Financial instruments

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

a) Loans and receivables

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

b) Cash and cash equivalents

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

c) Trade and other payables

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

d) Bank and other borrowings

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

e) Equity instruments

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

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 30 September 2016**

2. Critical accounting judgements and key sources of uncertainty

Sources of estimation uncertainty

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period.

Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

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

(i) Turnover and profit recognition

As described in the turnover accounting policy section on pages 10 and 11 service provision contracts require judgments and estimates to be made to determine the expected outcome for the individual contract.

(ii) Useful economic lives of tangible assets

Certain tangible assets are depreciated over their useful economic lives. This is an estimate based on management's knowledge and experience of the assets involved.

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

3. Turnover

The total turnover of the Company for the period has been derived from its principal activity plumbing and heating engineers wholly undertaken in the United Kingdom.

4. Net finance costs

	2016	2015
	£	£
Interest payable:		
Hire purchase interest	-	(429)
Interest receivable:		
Intercompany interest	39,413	72,069
Other interest	-	423
	<u>39,413</u>	<u>72,492</u>
Net finance costs	<u>39,413</u>	<u>72,063</u>

5. Profit on ordinary activities before taxation

	2016	2015
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amount of stock recognised as an expense	5,133,988	4,420,285
Depreciation of owned tangible fixed assets (note 10)	46,091	65,281
Profit on disposal of fixed assets	(2,500)	(45,145)
Auditor's remuneration:		
Audit fees	20,000	20,000
Directors' remuneration and other benefits (note 6)	349,354	473,930
Operating lease rentals:		
Land and buildings	60,000	60,000
Plant and machinery	388,836	314,057
Management fees payable	610,102	619,240
Exceptional item	<u>4,972</u>	<u>-</u>

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 September 2016

6. Directors' remuneration and transactions

	2016	2015
	£	£
Directors' emoluments		
Directors' emoluments	325,707	466,098
Pension contributions	31,418	7,832
	<u>357,125</u>	<u>473,930</u>
Emoluments of highest paid director		
Total emoluments (excluding pension contributions)	164,257	155,139
Pension contribution	14,588	7,103
	<u>178,845</u>	<u>162,242</u>
Number of directors accruing benefits under the company pension schemes	No.	No.
Defined contribution money purchase schemes	<u>2</u>	<u>3</u>

7. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	2016	2015
	No.	No.
Directors	2	4
Office and administration	39	45
Direct labour	<u>150</u>	<u>136</u>
	<u>191</u>	<u>185</u>

	2016	2015
	£	£
The aggregate payroll costs if these persons were as follows:		
Wages and salaries	7,006,293	6,804,887
Social security costs	725,920	709,959
Other pension costs	70,774	45,783
Equity-settled share-based payments	-	19,317
	<u>7,802,987</u>	<u>7,579,946</u>

The Company contributes to the personal pension plans of certain employees of the Company. The assets of these schemes are held in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £70,774 (2015: £45,783).

Contributions of £10,124 were outstanding at the balance sheet date (2015: £16,751).

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

8. Tax on profit on ordinary activities

Analysis of tax charge in the year:

	2016	2015
	£	£
<i>UK Corporation tax</i>		
Current tax on income for the period	268,773	284,405
Adjustment in respect of prior year	(17,482)	10,818
	<u>251,291</u>	<u>295,223</u>
<i>Deferred tax:</i>		
Origination/reversal of timing differences (note 13)	(3,472)	8,069
	<u>247,819</u>	<u>303,292</u>

The tax charge for the year can be reconciled to the profit and loss account as follows:

	2016	2015
	£	£
<i>UK Corporation tax</i>		
Profit on ordinary activities before taxation	<u>1,272,758</u>	<u>1,353,937</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.5%)	254,552	277,557
Effect of:		
Expenses not deductible for tax purposes	5,556	7,955
Adjustment in respect of prior year - Current tax	(17,482)	10,818
Adjustment in respect of prior year - Deferred tax	334	6,962
Other	4,859	-
	<u>247,819</u>	<u>303,292</u>

Factors that may affect future charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the statement of financial position date.

The closing deferred tax asset at 30 September 2016 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

9. Dividends

	2016 £	2015 £
Equity dividends paid of £600 per ordinary share (2015: £801)	<u>3,000,000</u>	<u>4,006,865</u>

10. Tangible fixed assets

	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 October 2015	46,378	231,658	135,654	72,020	485,710
Additions	167,115	3,379	6,660	-	177,154
Disposals	-	-	-	(72,020)	(72,020)
At 30 September 2016	<u>213,493</u>	<u>235,037</u>	<u>142,314</u>	<u>-</u>	<u>590,844</u>
Depreciation					
At 1 October 2015	19,243	186,772	115,093	72,020	393,128
Charge for the year	11,046	8,803	26,242	-	46,091
Disposals	-	-	-	(72,020)	(72,020)
At 30 September 2016	<u>30,289</u>	<u>195,575</u>	<u>141,335</u>	<u>-</u>	<u>367,199</u>
Net book value					
At 30 September 2016	<u>183,204</u>	<u>39,462</u>	<u>979</u>	<u>-</u>	<u>223,645</u>
At 30 September 2015	<u>27,135</u>	<u>44,886</u>	<u>20,561</u>	<u>-</u>	<u>92,582</u>

11. Stocks

	2016 £	2015 £
Consumables	<u>163,219</u>	<u>86,501</u>

12. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	2,857,919	2,084,579
Amounts owed by group undertakings	1,069,857	192,777
Other debtors	370,913	312,535
Deferred tax	27,535	24,063
Prepayments and accrued income	374,808	815,946
	<u>4,701,032</u>	<u>3,429,900</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>-</u>	<u>2,002,500</u>

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

13. Deferred taxation

	2016 £	2015 £
<i>The deferred taxation included in the Balance Sheet is as follows:</i>		
Included in debtors (note 12)	<u>27,535</u>	<u>24,063</u>
<i>The movement in the deferred tax account during the period was:</i>		
Balance brought forward	24,063	32,132
Profit and loss account movement arising during the period (note 8)	3,472	(8,069)
	<u>27,535</u>	<u>24,063</u>
<i>The balance on the deferred taxation account consists of the tax effect of timing differences in respect of:</i>		
Accelerated capital allowances	26,551	20,749
Short term timing differences	984	3,314
	<u>27,535</u>	<u>24,063</u>

14. Creditors – amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,778,859	1,679,452
Amounts owed to group undertakings	334,673	300,542
Corporation tax	396,942	230,745
Other taxation and social security	913,120	578,966
Accruals and deferred income	745,065	68,269
Other creditors	81,133	80,906
	<u>4,249,792</u>	<u>2,938,880</u>

15. Called up share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
5,000 (2015: 5,000) Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

16. Profit and loss account

	2015 £
Balance at 1 October 2015	4,197,457
Net profit for the year	1,024,939
Equity dividends paid	(3,000,000)
Balance at 30 September 2016	<u>2,222,396</u>

K & T HEATING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

17. Financial commitments

There were no capital commitments contracted but not provided for in the year (2015: none).

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016		2015	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Within one year	60,000	248,214	60,000	257,579
Between two and five years	180,000	251,226	240,000	107,891
After more than five years	-	-	-	-
	<u>240,000</u>	<u>499,440</u>	<u>300,000</u>	<u>365,470</u>

Operating lease payments represent rentals payable by the Company for its properties and equipment. For property, leases are negotiated for an average term of five years and rentals are fixed for an average of five years, with an option to extend for a further period at the then prevailing market rate. For equipment, leases are negotiated for a term of between three and four years and on completion the equipment is returned to the lessee.

18. Ultimate control

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is Lakehouse plc, a company incorporated in Great Britain. The parent undertaking of the largest and smallest group, which includes the company and for which group accounts are prepared is Lakehouse plc.

Copies of the group financial statements of Lakehouse plc, can be obtained from the Company Secretary, Lakehouse plc, 1 King George Close, Romford, Essex RM7 7LS or they are available at www.lakehouse.co.uk.