

Registered number 06338921

Lakeside 1 Limited
Annual report and financial statements
for the year ended 31 March 2011

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Lakeside 1 Limited
Annual report and financial statements
for the year ended 31 March 2011
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Lakeside 1 Limited

Directors and advisers for the year ended 31 March 2011

Directors

D Blunt
J Thirlwall
C Bovis
P Hindley
A Hickling
T Allison
D Cowie

Company secretary

R Brandon

Registered office

The Waterfront
Lakeside Boulevard
Doncaster
South Yorkshire
DN4 5PL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 East Parade
Sheffield
S1 2ET

Solicitors

DLA Piper UK LLP
1 St Paul's Place
Sheffield
South Yorkshire
S1 2JX

Bankers

Bank of Scotland
Level Three
New Uberior House
11 Grey Street
Edinburgh
EH3 9BN

Keepmoat

Delivering Community Regeneration

"The leading service provider to the public sector offering comprehensive and sustainable regeneration solutions, innovative products and services in affordable housing and investing in community infrastructure "

The Comprehensive Spending Review of 2010 and the 2011 Budget have signalled that social housing needs to be more responsive, flexible, fair and effectively reflect individual needs and changing circumstances of society. The Government is in the process of devolving significant financial control to local authorities and also reforming planning policy to ensure that the planning system is responsive to the needs of local communities for sustainable development and growth.

Sustainability and affordable energy solutions will be a focal point of regeneration for the future and a priority for registered providers of social housing and local authorities. Although the challenge is mounting with the anticipated budget cuts for the forthcoming years, Keepmoat will continue to grow market share, offering a comprehensive range of solutions to our public sector partners, through quality, experience and innovation in new products and services.

The Board are pleased to report that the group achieved a turnover of £677.1m and an adjusted EBITDA of £69.7m. This was the result of strong performances across both of our divisions. Keepmoat Homes has continued its return to growth, delivering a record number of units at 1,220 during the year (654 in 2010). The Regeneration Division performed strongly and enhanced our market position amidst the very challenging market environment in the financial year.

Keepmoat believes that significant developments will emerge from the Regional Growth Fund in supporting investment in infrastructure that underpins economic growth. The newly established Green Investment Bank will provide opportunities for our customers to invest in environmentally sustainable solutions.

Keepmoat is playing a major role in promoting the sustainability agenda in regeneration. We have invested in research and development of products and services that support reduction in carbon emissions from homes and we are pioneering developments of high eco-code standards. We are proud of our benchmarking success with the Gold-leaf membership and accreditation from UK GBC and we are promoting innovative retro-fit solutions to our customers. We offer both environmental and socio-economic sustainable solutions in affordable homes, mixed use and tenure regeneration initiatives, extra care and retirement solutions, responsive and planned maintenance and outsourcing.

Keepmoat Homes is at the forefront of the housing regeneration agenda. Being the public sector partner to 11 out of 14 Housing Market Renewal (HMR) Pathfinders, we offer products and services of unparalleled quality and innovation to government, local authorities and local communities.

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Through efficiencies, value engineering, and design innovations, Keepmoat provides a range of affordable, quality and environmentally friendly homes. Keepmoat Homes continues to greatly benefit from its landbank of over 16,000 plots, of which 9,300 are within the HMR Pathfinder programme, which is a market leading performance.

Keepmoat's priorities for the year ahead remain focussed on value for money and customer satisfaction. Our principles fully reflect and support the Government policy to create sustainable communities, affordable homes and social inclusion. This demonstrates our position as the leading service provider in sustainable regeneration, social housing solutions and as an investor in community infrastructure. We firmly believe in market making opportunities and through tested public private partnerships, will continue to offer genuine solutions in community regeneration to central and local government. During the year ahead will continue to be on the sustainable growth of our products and services in existing and new geographical markets.

Keepmoat's corporate ethos is underpinned by well embedded principles such as prudent management, customer satisfaction, quality products and services, innovation and continuous development. The financial performance for the year 2010-2011 reflects an outstanding effort from the Keepmoat group in a most difficult and uncertain economic environment. I take immense pride and pleasure to announce this set of results which reflects the quality and dedication of our people and express an enormous gratitude to all our people for their hard work and loyalty to Keepmoat.



D Blunt
Chief Executive Officer, Keepmoat Limited

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Business review

Keepmoat is the leading service provider to the public sector offering comprehensive, sustainable regeneration solutions, innovative products and services in affordable housing and investing in community infrastructure

Keepmoat has an extensive track record in holistic social housing solutions and affordable homes for sale with a strategy that is aligned with public regeneration policies

Keepmoat works closely as an innovative service provider of integrated regeneration solutions with the public sector including Local Authorities, the Homes and Communities Agency, Registered Providers, (formerly Registered Social Landlords) Arms Length Management Organisations (ALMO's), and Housing Market Renewal Boards across the North, the Midlands, East Of England, Wales and Scotland. We also work in partnership with Local Authorities to deliver mixed tenure housing developments through innovative regeneration projects

OVERVIEW OF THE YEAR AND FUTURE OUTLOOK

Keepmoat has continued to deliver substantial growth in turnover. During the year the group achieved a 12% increase in turnover to £677.1m (2010: £604.4m, 2009: £570.5m), and an adjusted EBITDA of £69.7m (2010: £70.2m, 2009: £65.7m). This is an excellent performance amidst a very difficult and challenging economic environment in the UK. This is attributed to our strategic focus as a key social and affordable housing solutions provider in the UK. This is underpinned by a set of well embedded principles in Keepmoat's corporate ethos such as prudent management, risk assessment, customer satisfaction, quality of products and services, innovation and continuous improvement. A detailed financial review of the year is contained in the Finance director's report.

Keepmoat has a solid and impressive social housing regeneration order book of £1.5bn (2010: £1.3bn, 2009: £1.3bn), and secured plots in hand totaling 16,101 (2010: 11,557, 2009: 7,463). This positions Keepmoat as the major provider of social and affordable housing solutions in the UK. Keepmoat Homes achieved turnover of £126.0m (1,220 units) (2010: £70.7m (654 units), 2009: £84.2m (751 units)) representing 19% (2010: 12%, 2009: 15%) of total group turnover. We continue to increase our activity in this sector and believe there is significant opportunity in the coming years, building on the market leading exclusive access to over 11,000 plots to be developed in partnership with Local Authorities.

During the financial year, the Keepmoat group has achieved considerable success in landmark large scale social housing regeneration schemes in the UK. Building on its already enviable position in landmark schemes such as Durham Villages, Keepmoat Homes was selected as the preferred partner in the Sheffield Local Housing Company, the Newcastle Scotswood Urban Regeneration Company and the Scarborough Regeneration Partnership, which has added further scale to our plots in hand and market position.

Keepmoat dedicates significant intellectual and capital resources to Public-Private Partnerships (PPPs) and the Government's agenda for social and affordable housing. As a result, we have a sustainable development programme for new lines of products and services, such as off-site modular construction of new build homes, responsive maintenance solutions and retrofit.

Keepmoat is nominated as the partner to 11 out of 14 HMR pathfinders. Through our innovative and quality oriented PPP's with local government and local communities, Keepmoat Homes offers a

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distinctive range of affordable, desirable and environmentally friendly homes. The Government's New Homes Bonus programme offers clear financial incentives, flexibility and autonomy to local authorities, to ensure that local communities benefit from new housing and economic regeneration in their areas.

The strategic and timely acquisition of Milnerbuild Limited during 2010, a specialist provider of responsive maintenance solutions to public sector customers in the North of England has significantly improved our position as a service provider of integrated maintenance solutions and has strengthened the offering of the Keepmoat group.

The Comprehensive Spending Review of 2010 and the Budget of 2011 implied that social housing must be responsive, flexible, fair and reflect individual needs effectively, together with the changing circumstances of society. As a result, the UK Government has devolved significant financial control to Local Authorities with specific departmental expenditure allocations for regeneration and has also reformed the planning policy to ensure that the planning system is responsive to the needs of local communities for sustainable development and growth. Sustainability and affordable energy solutions will be a focal point of regeneration for the future years and a priority for registered providers and local authorities.

The UK Government is committed to the building of 150,000 new homes between 2011 and 2015, with £4.5bn committed to fund new affordable homes over that period. The Government will spend £2.1bn on tackling non-decent social homes over the next four years. The Government will invest over £2bn of capital funding towards completing the Decent Homes programme.

Keepmoat regards the Regional Growth Fund as a significant funding mechanism for infrastructure investment which underpins economic growth, in addition to the provision of environmentally sustainable solutions through the Green Investment Bank. These and other Government initiatives are of strategic importance to Keepmoat in aligning our strategy perfectly with public policy in regeneration.

FINANCIAL POSITION AND RISKS

Keepmoat measures its financial performance by reference to two principal indicators: EBITDA and cash flow. We also monitor our long term stability by reference to our order book and pipeline for regeneration projects and our reservations, sales, and plots in hand for open market sales of private housing.

For year ended 31 March 2011, EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation and Exceptional items) was £69.7m (2010: £70.2m, 2009: £65.7m) and free cash flow was £43.7m (2010: £59.6m, 2009: £61.7m).

Keepmoat monitors the amount of working capital required to service its operations and also appropriately controls its movements on a regular basis. The group's current assets comprise mainly trade receivables, work in progress and land held for the development of private housing and affordable housing through partnering schemes. The group has invested £19.0m of our free cash flow in growing working capital during the year, and cash balances decreased by £4.0m after paying £46.8m in tax and dividends.

In the course of its ordinary activities, Keepmoat is exposed to some financial risks which include liquidity and credit risks. Liquidity risk relates to the group generating sufficient cash flow to meet our

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operational requirements, whilst meeting dividend payments to enable our parent companies' to service their debt interest requirements. A cross guarantee in relation to the debt held by Keepmoat's parent company is disclosed in note 29 of our Annual Report and Financial Statements 2011. Management projections indicate significant headroom on banking covenants for the foreseeable future.

Credit risk reflects risks in relation to trade receivables from customers. As a result of the group's strategy to generate the majority of our revenue from services to the public sector and regulated organisations, the group has no history or exposure to potential bad debts.

SHAREHOLDERS AND DIRECTORS

Keepmoat's ultimate shareholders comprise Cavendish Square Partners LP (16.5% of the ordinary equity), a special purpose vehicle owned by Collier Capital and Lloyds Banking group, and the remaining Directors and Senior Managers within Keepmoat. Mr David Cowie, a Non-Executive Director of Lakeside 1 Ltd, is a Partner in Caird Capital LLP, which is the advisor to Cavendish Square Partners LP.

WALKER GUIDELINES AND REPORTING

Keepmoat, led by its ultimate holding company Lakeside 1 Ltd, has chosen to comply with the 'Guidelines for Disclosure and Transparency in Private Equity' (the Walker Guidelines), which recommend that portfolio companies of private equity firms, amongst other things, can make certain enhanced disclosures in their financial statements. Full disclosure meeting the requirements of the Walker Guidelines is contained in this report and in the annual report of Lakeside 1 Ltd.

CORPORATE GOVERNANCE AND REGULATORY INTERFACE

Keepmoat has a detailed system of corporate governance and adheres to industry regulatory regimes. We are fully compliant with the appropriate legislation on health and safety, employment, competition, environment, data protection, freedom of information, bribery and anti-corruption. We have adopted and implemented detailed policies and compliance practices in all the above areas.

Risk management is a core value of our business. We are at the forefront of the requirements imposed by the best value regime. We assist our customers and partners to comply with this regime by recording and monitoring key performance indicators and demonstrating best practice. We provide benchmarks for regulatory impact assessment for future best value inspections. We have a dedicated and well established research and development team that monitors government and industry regulatory trends and develops our responses for compliance and best practice.

HEALTH AND SAFETY

Compliance with health and safety regulations is of paramount importance to Keepmoat. We strive to create a safe working environment for all. This year, we refurbished over 38,000 homes (2010 49,000, 2009 43,500) and our work has been carried out around the daily lives of some 160,000 residents. As a testament to the careful, safe and caring approach of our people, we are pleased to report that the group shows a 50% better than average site safety performance when compared to the industry (NHBC H&S fourth quarter March 2011).

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We have also registered over 1,000 sites on the Considerate Constructors Scheme, leading the industry with 245 awards - 30 gold, 59 silver and 156 bronze

CORPORATE CULTURE AND PEOPLE

The mission of Keepmoat is Delivering Community Regeneration Solutions. The Keepmoat group has embraced a corporate philosophy based on honesty, business integrity, total commitment to our partners, respect of people and delivery to the highest standards.

We are passionate about raising living standards, increasing the capacity of affordable housing, providing social enterprise and contributing towards sustainability.

We believe community regeneration is best delivered through the partnership between the public and private sectors. Our role is as stakeholder, facilitator, innovator and partner. We have embraced partnering as the best way to deliver social housing solutions and we have pioneered successful and award-winning regeneration public-private partnerships for social housing.

We are committed to equality of opportunities and a policy that encourages job creation from all sectors of the community. This is demonstrated in the diversity of the people recruited across the group. We continue to grow our reputation as an employer of choice with the ability to attract, develop and retain high quality individuals. As such, we have an enviable track record for employee retention. This is supported by human resource initiatives such as the Keepmoat Academy, our senior management development programme, together with clear succession plans. We have also brought new talent in to our industry by offering 350 traineeships and apprenticeships across the group. Our human resource policies are continually reviewed and refined in line with changing regulations and legislation.

Keepmoat directly employs around 3,000 people and provides many more employment opportunities through our subcontractors. Committed to lifelong learning and continuous professional development, during the past year we have invested more than 12,000 training days for our employees. The Keepmoat Academy is continuing to inspire and provide for educational and career development opportunities to help our people reach their potential.

SUSTAINABILITY

The Keepmoat group places great emphasis on implementing sustainability best practice into our products and services. Environmental protection and sustainable development is an increasingly significant part of our operations. Sustainable communities require the successful integration of environmental, social and economic considerations.

The Keepmoat group consistently applies ISO 14001 standards and has introduced innovative production methods that are beneficial to the environment, such as modern construction methods, heating and insulation, water harvesting and recycling features. Over 98% of our affordable homes are built on brownfield sites.

We are a significant provider of Code Level 6 Homes in the country with over 100 zero carbon homes programmed for completion in 2011. We were also the first contractor in England to receive BRE (Building Research Establishment) certification to Level 4 of the Code for Sustainable Homes and have secured the country's first BREEAM (Building Research Establishment Environmental Awareness Method) excellent rating for Extra Care housing development. Having delivered several

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pioneering eco refurbishment pilot projects, we are now an established large scale provider of warmer, healthier and more energy efficient homes through our carbon reduction retrofit programme

Keepmoat demonstrates leadership in sustainability

through a range of national and local working groups which includes informing government policy on the emerging Green Deal and Zero Carbon Housing We benchmark our environmental and socio-economic performance on an annual basis through the NextGeneration sustainability benchmark and we are proud to have secured our place as the most improved top 25 housebuilder in 2010

DELIVERING COMMUNITY REGENERATION

Keepmoat works closely with the public sector, communities, strategic allies and key stakeholders to deliver holistic and sustainable community regeneration We deploy our own resources as well as mobilise resources available through strategic alliances Our aim is to achieve seamless, 'one-stop shop' successful and sustainable regeneration Our resident satisfaction score has increased to 97% (2010 95%, 2009 93%) We invest considerably in local communities, utilising local labour and sub-contractors, and providing much needed training and meaningful employment to local people

PUBLIC PRIVATE PARTNERSHIPS

One of Keepmoat's major strengths is our ability to establish and deliver successful public-private sector social housing and community regeneration partnerships Our partnerships have set national standards, receiving government praise and recognition Keepmoat has been at the forefront of the HMR programme and partnerships We have promoted legal and financial models which support our clients' requirements

Our asset-management models offer local authorities and government regeneration agencies the opportunity to maximise public funding and achieve much more than traditional procurement and contractual methods A distinctive feature of our partnerships is the profit-sharing arrangements we provide for our public sector partners We have established public-private partnerships that reduce potential risks for the public sector, yet deliver the regeneration and financial results required by the public sector with reduced need for public funding

SUPPLY CHAIN MANAGEMENT

Our effective supply chain management strategy is founded upon the principles of collaboration, trust and transparency resulting in the operation of long term partnering frameworks with many of our key suppliers and sub contractors Such arrangements generate considerable savings through leveraging our expenditure and benchmarking deliverables, which ultimately provide more efficient solutions to customers

We continually innovate to deliver efficiency and value for money benefits to our clients Over the past 12 months we have continued to develop the use of e-procurement having successfully launched Keepmoat E-Sourcing Solutions in 2009 This cutting edge procurement tool has transformed our supply chain interface resulting in significant efficiencies, process improvements and cost savings

SOCIAL ENTERPRISE AND CORPORATE SOCIAL RESPONSIBILITY

Keepmoat has pioneered the delivery of social enterprise in regeneration areas We have created a platform for the launch of socio-economic initiatives, such as training and employment schemes This

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provides opportunities for local people to train and obtain a vocational qualification in construction and construction-related activities, and to find meaningful employment with long term prospects. We also establish an enterprise culture, whereby small sub contractors and suppliers can flourish and benefit from the regeneration investment in the local community.

We continue to invest in the communities where we work. One such investment is our SOAR Build social enterprise, an excellent example of partnership working with the public sector which is regarded as the UK benchmark by the Government. Through SOAR Build we are helping to change communities for the long-term by improving skills and providing training and employment opportunities for local people. This approach goes well beyond the traditional private sector investment in corporate social responsibility. As a private sector group, we are particularly proud that our work with, and investment in local communities, has been praised by the Government.

The Keepmoat Foundation is an institution that supports projects which develop skills, strengthen communities and improve the employment prospects of young people. This year the Keepmoat Foundation has invested over £100,000 (2010: £200,000; 2009: £200,000) in community and youth projects directly making a positive effect on many people's lives. The Keepmoat Foundation also supports Outward Bound Trust, by offering an opportunity to over 60 young persons from the areas the group regenerates to acquire transferable skills and employment aptitude. Our association with Outward Bound Trust has been awarded the Big Tick Business in the Community accreditation for two consecutive years.

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Finance director's report

Background

The results shown in this annual report are for the third full financial year since the Management Buy Out of the Keepmoat group that occurred in August 2007. In addition to the statutory information, we have included in this review 'pro forma' information for the year in order to highlight the key financial numbers that reflect our operational performance.

Key performance indicators

	2011	2010
Revenue	£677.1m	£604.4m
EBITDA*	£69.7m	£70.2m
%	10.3%	11.6%
Free Cash Flow	£43.7m	£59.6m
Conversion % to EBITDA	62.7%	84.9%
Regeneration Order Book	£1.5bn	£1.3bn
House Sales plots in hand	16,101	11,557

* EBITDA is Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional Items

Revenue, operating profit and EBITDA

Group revenue for the year to 31 March 2011 was £677.1m compared to revenue of £604.4m for the previous year. This 12% growth represents an excellent operational performance given the prevailing market conditions. Adjusted operating profit fell to £67.2m (2010 £68.4m). Senior debt (cash paid) interest fell by 2% to £41.1m (2010 £41.8m) as a result of the reduction of the overall debt burden due to the repayments which have been made in the year.

	2011	2010
	£m	£m
Revenue	677.1	604.4
Adjusted operating profit *	67.2	68.4
Senior debt interest (cash paid)	(41.1)	(41.8)
Adjusted operating profit after senior debt interest (cash paid)	26.1	26.6
Adjusted EBITDA **	69.7	70.2

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- * Adjusted operating profit is stated before exceptional operating costs and goodwill amortisation
- ** Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation and exceptional items

Exceptional costs and goodwill amortisation

The group has incurred exceptional operating costs in the year of £5.2m (2010: £nil), and goodwill amortisation was £30.3m (2010: £30.1m)

	2011	2010
	£m	£m
Evolve Built for Life Limited	3.2	-
Restructuring costs	2.0	-
Total exceptional costs	5.2	-
Goodwill amortisation	30.3	30.1
Total	35.5	30.1

During the year the group entered into an agreement with a third party to manufacture off site modular units. Following the significant losses that have been experienced during the year the directors of the venture have taken the decision to close the factory, which will cease operations once all work servicing the current contract is completed. A provision has been made in the accounts for the write-off of assets (£0.3m), and the foreseeable loss expected to be incurred servicing the contract to completion (£1.5m), in addition to the losses incurred during the year (£1.4m). These results have been shown in exceptional items due to their one-off nature and that they relate to a manufacturing venture outside the normal group activities.

Result for the year

The group made an adjusted operating profit after senior debt interest (cash paid) of £26.1m (2010: £26.6m). The total loss before tax but after goodwill amortisation, non-cash finance costs and exceptional items was £86.0m (2010: £70.4m). The non-cash finance costs are being rolled up to be repaid in line with the relevant shareholder financing repayment dates shown in the table later in this report.

Cash generation and EBITDA

Given the group's capital structure, the key measures of our financial performance are EBITDA (stated before exceptional items) and cash generation. The operating cash flow for the year was £46.6m (2010: £59.6m) whilst EBITDA was £69.7m (2010: £70.2m).

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Cash Flow and Debt Service

	2011	2010
	£m	£m
Net cash inflow from operating activities	46.6	59.6
Net Interest paid and received	(41.2)	(42.2)
Repayment of senior debt	(6.3)	(12.7)
Acquisitions	-	(5.4)
Other (including additions to freehold land and buildings)	(2.6)	(2.1)
Decrease in Cash	(3.5)	(2.8)

Free cash flow (operating cash flow less acquisitions and 'other') to total cash interest cover was above covenant requirements at 1.07 times (covenant 1.00 times)

During the year, the group invested certain cash from operating activities in support of its long term growth strategy, both in expanding the group's service offering and also in geographical expansion

Working capital

The amount of working capital required to service the group's operations is closely monitored and controlled and forms a key part of the information presented to the board each month. Current assets mainly comprise trade receivables, work in progress and land held for the development of private housing and of affordable housing through partnership schemes. As the group's strategic focus is on public sector customers, there is no history of bad or doubtful debts. We have increased our working capital by £17.5m in the year to support turnover expansion, and shared equity house sales which have underpinned the growth in our private housing division.

Capital structure

The group has repaid £6.3m of its debt during the year (2010: £12.7m) and the senior debt structure at 31 March 2011 remains similar to the previous year. The business is financed by a combination of long term senior and subordinated debt and short term working capital facilities. On 31 March 2011, a substantial proportion of the subordinated debt (Junior Subordinated Loan B) was cancelled in exchange for 13,700,000 0.5p D Ordinary shares (par value £68,500) which were issued at a premium of £232,867,284. This debt to equity swap is in line with management's long held view that the subordinated debt (referred to in the annual report as shareholder financing) was quasi-equity and this balance, which has previously been classified as "debt" in accordance with UK GAAP, has now been presented as equity.

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The senior debt comprises -

SENIOR DEBT				
	Value at 31 Mar 11 £'m	Cash Paid Interest	Accumulated Interest	Repayment Date *
Term Loan A	158.1	3%+ LIBOR	-	Sep 2013
Term Loan B	158.1	3.5%+ LIBOR	-	Sep 2014
Second Lien	55.8	5.0%+ LIBOR	-	Sep 2015
Mezzanine	81.0	3.5%+ LIBOR	5.25%	Sep 2016
TOTAL	453.0			

The group has hedged its exposure to fluctuations in LIBOR via a fixed interest rate swap covering £399m of the senior debt at 6.0325%

The subordinated debt comprises -

SHAREHOLDER FINANCING				
	Value at 31 Mar 11 £'m	Cash Paid Interest	Accumulated Interest	Repayment Date *
JSL A	247.8	-	19.74%	Sep 2017
JSL B	4.1	-	12.03%	Sep 2017
Management Loan Notes	9.8	-	12.03%	Sep 2017
TOTAL	261.7			

* No interim capital repayments are due on either the senior debt or shareholder financing prior to the final repayment dates shown above. All accumulated interest is also repayable on the repayment dates shown.

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The repayment profile of senior debt and shareholder financing based on current values is as follows -

£m	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Senior Debt							
Term Loan A			158.1				
Term Loan B				158.1			
Second Lien					55.8		
Mezzanine						81.0	
Shareholder Financing							
JSL A							247.8
JSL B							4.1
Management Loan Notes							9.8
Total	-	-	158.1	158.1	55.8	81.0	261.7

The group's cash balance at 31 March 2011 stood at £7.9m compared to £11.4m at the end of the previous year, after having repaid £6.3m of debt during the year.

The net cash interest cost for 2011 was £41.2m. Non-cash interest accrued in the year on long-term debt instruments amounted to £74.0m, giving a total interest charge for the year of £115.2m before amortisation of debt fees. Total interest accrued on long-term debt at 31st March 2011 amounted to £140.8m. The group's funding arrangements are still in place and no debt is due to be repaid until 2013 at the earliest. Hedging instruments, which were established during a period of much higher rates, are in place for 88% of our cash paid interest which are due to expire in September 2013, and which, fixes interest costs on this portion of the debt at a LIBOR equivalent of 6.0325%.

Covenants

Throughout the year the group operated with significant headroom on both interest cover and leverage covenants, and management projections do not indicate any breaches of banking covenants in the foreseeable future. Our key drivers, in relation to the group's capital structure, are to a) generate sufficient cash to cover cash interest and b) increase EBITDA in relation to our cash paid debt, so as to meet the relevant banking covenants.

The nature of our capital structure ensures that there are sufficient earnings to cover cash paid debt and support our growth. As we are a service providing business, the group has very low capital expenditure requirements and a relatively insignificant tangible asset base.

Balance sheet presentation

Those subordinated loans and management loan notes that do not qualify under UK GAAP to be presented as 'equity' are shown in the group's balance sheet as shareholder financing, as it is the board's belief that this presentation more accurately reflects the capital structure and the nature of

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those items. These instruments have a high interest coupon which rolls up over time and are repayable in 2017.

The balance sheet at 31 March 2011 shows total shareholder interests of £261.7m compared with £419.2m the previous year. The group has cash balances at the year end of £7.9m and undrawn working capital facilities of £75m. Consequently, the group's financial position remains strong, and we have a solid platform for future growth.

Financial Risks

In the course of its ordinary activities, the group is exposed to some financial risks which include liquidity, credit and interest rate risks. The group monitors and manages these risks through robust policies and procedures.

Liquidity risk relates to the group generating sufficient cash flow to meet its operational requirements while avoiding debt covenant breaches or excessive debt levels. Our borrowings are a combination of long term loans as described above, which were put in place to fund the MBO in August 2007, and revolving working capital credit facilities.

Credit risk in relation to trade receivables from customers. As a result of the group's strategy to generate the majority of our revenue from services to public and regulated organisations, the exposure to potential bad debts is extremely limited.

Interest rate risk is a key factor which the board monitors. To mitigate this risk 88% of the group's cash paid interest bearing debt has been hedged by way of fixed interest rate swap arrangements. These arrangements enable management to accurately forecast cash outflows in relation to interest payments into the medium term. Non financial risks are referred to in the Directors' report.

Taxation

No corporation tax is expected to be payable in respect of the reporting period.



J Thirlwall
Finance Director

8/9/2011

Lakeside 1 Limited

Directors' report for the year ended 31 March 2011

The directors present their annual report and the consolidated audited financial statements of the group for the year ended 31 March 2011

Principal activities

Lakeside 1 Limited is the ultimate holding company of the Keepmoat group of companies, which are principally engaged in the refurbishment and construction of residential dwellings. The group's subsidiaries are listed in note 11 to the financial statements.

Business review and future developments

The group's loss for the year is £88.3m (2010: £71.5m) after goodwill amortisation and exceptional items of £34.9m (2010: £30.1m) and accrued interest on shareholder financing of £74.0m (2010: £59.5m). The group paid no dividends in the year and the directors do not recommend the payment of a final dividend (2010: £nil). A summary and review of the results, performance and future prospects is presented in the Chief executive's review, the Business review and the Financial director's report on pages 2 to 15.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

T Allison
D Blunt
J Thirlwall
C Bovis
P Hindley
A Hickling
D Cowie

In accordance with the Articles of Association, none of the directors are required to retire by rotation.

Charitable contributions

The contributions made by the group during the year for charitable purposes amounted to £84,000 (2010: £200,000).

Employees

The group believes that its success depends upon its employees and their development. Employees are kept as fully informed as is practicable about the performance and prospects of the group. The methods of communication and consultation include regular informal contact as well as periodic formal meetings. It is the group's policy to provide equal opportunities to people of all sexes, colours and races. The group actively encourages the employment of disabled people and they share the same opportunities as all other employees. The group places special emphasis on occupational health and safety matters with policies and practices kept under constant review.

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It is the group's policy to actively plan, encourage and assist in the training, retraining and career development of all its employees. Annual training programmes have been implemented by each company in the group to develop the necessary managerial, technical and craft skills needed to achieve success in the group's business.

Business risks

The directors, in the execution of their duties, are responsible for identifying the key business risks faced by the group and for determining the appropriate courses of action to manage these.

The directors set out below the principal risks facing the group's businesses.

(a) Private sector and social housing market

The directors recognise that the medium term growth plans depend on the market for new homes and refurbishment in the private and social housing sectors. The group monitors this risk through regular and thorough market analysis which result in robust forecasting.

(b) Financial Risk Management

The group's operations expose it to a variety of financial risks that primarily include price, credit, liquidity, interest rate and financing. The group has in place a risk management programme that seeks to limit the adverse effects on financial performance of the group. The specific risks that the group faces and its policies to mitigate these risks are covered in more detail in the Finance Director's review.

(c) Procurement

The group's supply chain strategy is an integral part of our overall business strategy. The directors have developed long-term strategic partnering agreements with customers and major suppliers, and the associated risk is managed through effective risk management processes and the utilisation of key performance indicators.

(d) People

The directors recognise that achieving the group's growth strategy is heavily dependent on the performance of its people. A continuing drive to become an employer of choice is underpinned by an effective human resource strategy, which enables the recruitment and retention of people of sufficient calibre at all levels in the organisation.

Directors' indemnities

The group maintains liability insurance for its directors and officers. The group has also provided an indemnity for its directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Key performance indicators

The group uses a number of key performance indicators to measure the performance of its operations. Our financial KPIs are shown on page 15. Our order book and secured plots in hand are detailed in the Chief executive's review and Business review.

Lakeside 1 Limited

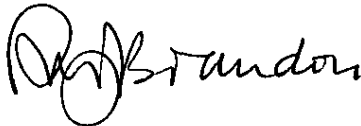
Disclosure of information to the auditors

All directors, at the date this report is approved, confirm that, as far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and have been deemed to be reappointed for the next financial year

By order of the Board

A handwritten signature in black ink, appearing to read 'R Brandon', with a stylized, cursive script.

R Brandon

Company Secretary

Lakeside 1 Limited

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 the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company and of the loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



R Brandon

Company Secretary

Lakeside 1 Limited

Independent auditors' report to the members of Lakeside 1 Limited

We have audited the group and parent company financial statements (the "financial statements") of Lakeside 1 Limited for the year ended 31 March 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Accounting Policies 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).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 19 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 group's and parent 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. 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 group's and the parent company's affairs as at 31 March 2011 and of the group's loss and cash flows for the year 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 other matter prescribed by the Companies Act 2006

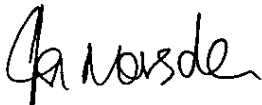
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Lakeside 1 Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Ian Marsden (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Sheffield

8 September 2011

Lakeside 1 Limited

Consolidated profit and loss account for the year ended 31 March 2011

		2011			2010		
	Note	Results before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation Note 6 £'000	Total £'000	Results before exceptional items and goodwill amortisation £'000	Exceptional items and goodwill amortisation Note 6 £'000	Total £'000
Turnover	1	677,103	-	677,103	604,417	-	604,417
Cost of sales		(570,845)	(1,371)	(572,216)	(499,760)	-	(499,760)
Gross profit		106,258	(1,371)	104,887	104,657	-	104,657
Administrative expenses		(39,028)	(34,129)	(73,157)	(36,306)	(30,080)	(66,386)
Operating profit	4	67,230	(35,500)	31,730	68,351	(30,080)	38,271
Interest payable on debt financing		(45,373)	-	(45,373)	(45,944)	-	(45,944)
Amortisation of debt costs		(3,249)	-	(3,249)	(3,249)	-	(3,249)
Interest accrued on shareholder financing		(69,807)	-	(69,807)	(59,490)	-	(59,490)
Interest receivable		720	-	720	30	-	30
Net interest payable and similar charges	5	(117,709)	-	(117,709)	(108,653)	-	(108,653)
Loss on ordinary activities before taxation		(50,479)	(35,500)	(85,979)	(40,302)	(30,080)	(70,382)
Tax on loss on ordinary activities	7	(3,477)	565	(2,912)	(1,139)	-	(1,139)
Loss on ordinary activities before taxation		(53,956)	(34,935)	(88,891)	(41,441)	(30,080)	(71,521)
Equity minority interests	27	-	611	611	-	-	-
Loss for the financial year	20	(53,956)	(34,324)	(88,280)	(41,441)	(30,080)	(71,521)

All items dealt with in arriving at operating profit above relate to continuing operations

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents

Lakeside 1 Limited

Statement of group total recognised gains and losses for the year ended 31 March 2011

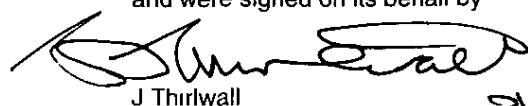
	2011 £'000	2010 £'000
Loss for the financial year	(88,280)	(71,521)
Actuarial gain on pension scheme (note 26)	52	366
Movement on deferred tax relating to pension asset (note 7)	(14)	(102)
Total recognised losses for the year	(88,242)	(71,257)

Lakeside 1 Limited

Balance sheets as at 31 March 2011

	Note	Group		Company	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	9	498,473	528,798	-	-
Tangible assets	10	15,105	14,895	-	-
Investments	11	-	-	-	-
Pension asset	26	985	893	-	-
		514,563	544,586	-	-
Current assets					
Land held for and under development	12	31,607	36,815	-	-
Stocks and work in progress	13	43,865	27,081	-	-
Debtors - amounts falling due after more than one year	14	23,055	19,552	-	-
Debtors - amounts falling due within one year	14	110,014	93,378	155,374	155,456
Cash at bank and in hand		7,859	11,412	14	-
		216,400	188,238	155,388	155,456
Total assets		730,963	732,824	155,388	155,456
Liabilities					
Capital and reserves					
Called up share capital	18	264	196	264	196
Share premium account	19	229,950	1,944	229,950	1,944
Profit and loss reserve	20	(381,198)	(292,956)	(89,346)	(61,254)
Total shareholders' (deficit) / funds	21	(150,984)	(290,816)	140,868	(59,114)
Minority interests	27	(611)	-	-	-
Capital employed		(151,595)	(290,816)	140,868	(59,114)
Other liabilities					
Bank loans due after one year	16	446,266	446,206	-	-
Shareholders financing due after one year	16	259,728	416,920	13,896	213,964
Other creditors falling due in under one year	15	174,704	160,514	624	606
		880,698	1,023,640	14,520	214,570
Provisions for liabilities	17	1,860	-	-	-
Total liabilities		730,963	732,824	155,388	155,456

The financial statements on pages 22 to 57 were approved by the board of directors on
and were signed on its behalf by



J Thirlwall
Finance Director

8/9/2011

Registered number 06338921

Lakeside 1 Limited

Consolidated cash flow statement for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	22	46,660	59,607
Returns on investment and servicing of finance			
Interest received		-	-
Interest paid		(41,220)	(42,178)
Net cash outflow from returns on investment and servicing of finance		(41,220)	(42,178)
Taxation			
UK corporation tax paid		(188)	(91)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,603)	(2,898)
Sale of tangible fixed assets		65	196
Net cash outflow for capital expenditure and financial investment		(2,538)	(2,702)
Acquisitions			
Purchase of subsidiary undertakings		-	(5,436)
Net cash acquired with subsidiary undertakings		-	674
Net cash outflow for acquisitions		-	(4,762)
Financing			
Decrease in borrowings	23	(6,267)	(12,702)
Decrease in cash	23	(3,553)	(2,828)

Lakeside 1 Limited

Statement of accounting policies

Basis of accounting

The group financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The group has made a loss on ordinary activities before taxation of £85,979,000 (2010: £70,382,000) for the year ended 31 March 2011 and at that date the total shareholders' deficit was £150,984,000 (2010: £290,816,000). The company was set up in the 2007 in order to acquire the share capital of the Keepmoat group. This acquisition was funded almost entirely through long term debt, the first repayments of which are not due until 2013. In addition, an element of the interest cost on this debt is accumulated over the life of the loans and is repayable in line with the debt maturity.

The group is highly geared and is subject to a number of banking covenants which are monitored closely by the directors. Throughout the year the group operated with adequate headroom on all of its covenants measures and management projections indicate significant headroom on banking covenants in the foreseeable future. Our key drivers, in relation to the group's capital structure, are to a) generate sufficient cash to cover cash interest and b) increase EBITDA in relation to our cash paid debt, so as to meet the relevant banking covenant. The group have not breached any existing banking covenants during the year and are not forecasting a breach any banking covenants in the foreseeable future. Consequently, the directors believe it is appropriate to prepare the financial statements on the going concern basis.

Basis of consolidation

The group profit and loss account and balance sheet include the audited financial statements of the company and all of its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra-group sales and profits are fully eliminated on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities are recorded at their fair values reflecting their condition at that date.

Joint ventures

Joint ventures compromise investments in undertakings where the group holds an interest on a long-term basis and jointly controls the commercial and financial policy of the venture with one or more other ventures under a contractual arrangement. The group share of the result of its investment in joint ventures is included in the consolidated profit and loss account if material to the group. In the consolidated balance sheet the investment in joint ventures is included as the group share of net assets of the year end.

Joint ventures are shown in the parent company balance sheet at cost less any amounts written off for permanent diminution in value.

Lakeside 1 Limited

Turnover and profit recognition:

Private house building, property development and land sales

Turnover and profits on private house building developments and land sales are included in the financial statements on legal completion. Where house sales include an interest free loan provided by the group to the customer in respect of an element of the sale value (shared equity house sales), this is recognised in turnover net of discounting using an estimated financing cost.

Contracts

Turnover and profit on short term contracts are recognised when the contracts have been completed. Turnover on long-term contracts represents the value of work done, and excludes value added tax and trade discounts. For long term contracts attributable profits are calculated based on the Directors' estimate of total forecast value less total forecast costs and are recognised based on the proportion of cost incurred to date compared to total costs expected to be incurred.

Attributable profits are not recognised until the point at which the outcome of the contract can be assessed with reasonable certainty. Provision is made for losses on all long-term contracts as soon as such losses become apparent.

Claims on customers or third parties for variations to the original contract are recognised in the profit and loss account once entitlement to the claim has been established. Claims by customers or third parties in respect of work carried out are recognised in the profit and loss account once the obligation to transfer economic benefit has become probable.

Intangible assets - goodwill

Goodwill arising on consolidation is recorded at cost, which includes associated costs of acquisition, less the fair value of assets acquired and any amounts written off for permanent diminution in value. Goodwill is being amortised over its useful economic life, which is estimated to be 20 years.

The company applies FRS11, where relevant impairment triggers are identified an impairment review is performed and any resulting impairment charge is accounted for in the year it arises. The carrying value is the higher of value in use and recoverable value. Value in use is derived from cash flow projections discounted to net present value at an appropriate discount rate.

Lakeside 1 Limited

Exceptional items

Exceptional items are material items which fall within the ordinary activities of the Group and which need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the Group's operations, profits or losses on the disposal of fixed assets, or provisions in respect of such items. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at their historic purchased cost less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated useful economic lives. The principal annual rates used for this purpose are:

	%
Freehold properties	2
Long leasehold properties	Over the term of the lease
Equipment, plant and vehicles	10 – 25
Fixtures, fittings and office equipment	10 – 33

No depreciation is provided on freehold land.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Stocks, work in progress and land held for and under development

House developments in progress are valued at the lower of cost and net realisable value. Cost comprises direct expenditure, together with an appropriate proportion of production overheads. Net realisable value represents the estimated amount at which stock could be realised after allowing for costs of completion and realisation.

Land held for and under development includes land purchase costs and costs directly attributable to enhancing land value.

Long-term contract balances are included in the balance sheet at the value of turnover less the value of progress payments certified and receivable. The value of progress payments not yet certified is treated as receivable in respect of work completed, or measurable parts thereof, and is stated after making allowance for irrecoverable amounts. Where turnover exceeds progress payments the net balance is included in debtors as amounts recoverable on contracts.

Lakeside 1 Limited

Shared equity debtors

Loans and receivables due from customers on 'Shared Equity' scheme sales, whereby the group has provided a portion of the finance of a house sale, are included as debtors due after one year. These receivables are held at discounted present value less any impairment. The amount is then increased to settlement value over the settlement period via finance income.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Government grants

The cost of private house developments in progress is stated after deduction of certain government grants which relate to the funding of such costs. SSAP 4 recommends that grant income is shown separately. The directors believe that the treatment adopted is necessary for the financial statements to show a true and fair view. The effect of this treatment is to reduce the carrying value of work in progress in the balance sheet by £4,284,000 (2010: £3,209,000) and to reduce cost of sales in the profit and loss account by £2,662,000 (2010: £1,871,000).

Investments

Investments in subsidiaries and associated undertakings are shown at cost less any amounts written off for permanent diminution in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Pension scheme arrangements

The group operates a hybrid group pension scheme, the Keepmoat Limited Group Pension Plan, the assets of which are held in independently administered funds. Contributions and pension costs are based on pension costs across the group as a whole.

The group has applied the multi-employer exemption provisions of FRS17. The scheme is accounted for by as a defined contribution scheme, charging contributions to the scheme when they become payable.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in net interest. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

Lakeside 1 Limited

Notes to the financial statements for the year ended 31 March 2011

1 Turnover

Turnover, as defined in the statement of accounting policies, excludes value added tax and relates wholly to operations in the United Kingdom

The directors regard the group as operating in one segment, the refurbishment and construction of residential dwellings

2 Employee information

	2011 £'000	2010 £'000
Wages and salaries	94,462	95,373
Social security costs	9,142	9,541
Pensions costs	1,780	1,501
Staff costs	105,384	106,415

The average monthly number of persons employed by the group (including executive directors) during the year, all of whom are engaged in the group's principal activities, was as follows

By activity	2011 Number	2010 Number
Production	1,997	2,231
Selling and distribution	47	27
Administration	873	705
	2,917	2,963

The company does not have any employees

Lakeside 1 Limited

3 Directors' emoluments

	2011	2010
	£'000	£'000
Aggregate emoluments	2,153	2,373
Company pension contributions to money purchase scheme	73	71
	2,226	2,444

Retirement benefits are accruing to five (2010: five) directors under a money purchase pension scheme

Highest paid director	2011	2010
	£'000	£'000
Aggregate emoluments	584	668
Company pension contributions to money purchase scheme	25	25

4 Operating profit

	2011	2010
	£'000	£'000
Operating profit is stated after charging / (crediting)		
Depreciation of tangible fixed assets - owned asset	2,384	1,809
Profit on disposal of fixed assets	(56)	(178)
Amortisation of goodwill	30,325	30,080
Operating lease rentals		
- plant and machinery	7,938	7,238
- other	1,590	1,561
Exceptional items (note 6)	5,175	-
Auditors' remuneration for		
- audit of the company and consolidated accounts	10	29
- audit of subsidiaries of the company	190	192
- services relating to taxation	224	159
- other services to the company and its subsidiaries	56	62

Lakeside 1 Limited

5 Net interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable		
Amortisation of loan issue costs	(3,249)	(3,249)
Interest accruing on shareholder financing	(69,807)	(59,490)
Interest payable on bank loans and overdrafts	(45,246)	(45,874)
Interest payable on bank overdrafts	(127)	(70)
Total interest payable	(118,429)	(108,683)
Interest receivable		
Shared equity discounting provision	598	-
Net return on pension scheme assets	122	30
Total interest receivable	720	30
Net interest payable and similar charges	(117,709)	(108,653)

Interest accruing on shareholder financing is payable on maturity of the related debt instrument
Interest payable on bank loans and overdrafts includes interest accruing and repayable on maturity debt instruments amounting to £4,153,000 (2010 £4,056,000)

6 Exceptional items and goodwill amortisation

Exceptional items	Cost of sales	Administrative expenses	2011 £'000
Restructuring costs	-	2,018	2,018
Evolve Built for Life Limited	1,371	1,786	3,157
Goodwill amortisation	-	30,325	30,325
	1,371	34,129	35,500

Restructuring costs

These related to redundancy and restructuring costs incurred during the year

Evolve Built for Life Limited

During the year the group entered into an agreement with a third party to manufacture off site modular units. Following the significant losses that have been experienced during the year the directors of the venture have taken the decision to close the factory, which will cease operations once all work servicing the current contract is completed. A provision has been made in the accounts for the write-off of assets (£0.3m), and the foreseeable loss expected to be incurred servicing the contract to completion (£1.5m), in addition to the losses incurred during the year (£1.4m). These results have been shown in exceptional items due to their one-off nature and that they relate to a manufacturing venture outside the normal group activities.

Lakeside 1 Limited

7 Tax on loss on ordinary activities

	2011 £'000	2010 £'000
Current tax		
UK corporation tax on loss for the year at 28% (2010 28%)	(149)	2
Adjustments to tax in respect of previous periods	(99)	627
Total current tax (credit) / charge	(248)	629
Deferred tax		
Origination and reversal of timing differences	2,614	766
Adjustment to tax charge in respect of previous period	176	(304)
Change in tax rate - impact on deferred tax asset	384	-
Pension cost (credit) / charge in excess of pension cost relief	(14)	48
Total deferred tax charge	3,160	510
Tax on loss on ordinary activities	2,912	1,139

The tax assessed for the period is lower (2010 lower) than the standard rate of corporation tax in the UK of 28% (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
Loss on ordinary activities before tax	(85,979)	(70,382)
Loss on ordinary activities multiplied by the standard rate in the UK 28% (2010 28%)	(24,074)	(19,707)
Effects of		
Expenses not deductible for tax purposes	16,642	15,804
Adjustments to tax in respect of previous periods	(99)	627
Accelerated capital allowances	(2,586)	(696)
Deferred tax not recognised	9,869	4,601
Current tax (credit) / charge for the year	(248)	629

Lakeside 1 Limited

Factors affecting current and future tax charges

As a result of the Finance Act (No 2) 2010 enacted on 20 July 2010 the main rate of a UK corporation tax was amended from 28% to 27%. Subsequent to this, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. As such, the relevant deferred tax balances have been re-measured.

Subsequent to the year end the main rate of corporation tax was reduced from 26% to 25% as of 1 April 2012, being substantively enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of proposed changes is not expected to be material.

Deferred taxation	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 April	(4,855)	(5,467)	-	-
Deferred tax charge to profit and loss account	3,160	510	-	-
Deferred tax charge to statement of total recognised gains and losses	14	102	-	-
At 31 March – asset	(1,681)	(4,855)	-	-

Deferred taxation comprises:

Accelerated capital allowances	(1,299)	(1,031)	-	-
Other timing differences	(728)	(4,170)	-	-
Deferred tax asset (note 14)	(2,027)	(5,201)	-	-
Pension deferred tax liability (see below)	346	346	-	-
Deferred tax asset including pension	(1,681)	(4,855)	-	-

No provision has been made for deferred tax on gains recognised on valuing property at its fair value in certain subsidiaries in prior years. Such tax would become payable only if the property was sold without it being possible to claim rollover relief. The total amount not provided for is £339,000 (2010 £452,000).

A deferred tax asset amounting to £18,474,000 (2010 £9,200,000) in relation to certain tax losses within the group have not been recognised as the directors are of the opinion that there is doubt over its recoverability.

Lakeside 1 Limited

Deferred tax liability relating to pension asset	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 April 2010	346	196	-	-
Deferred tax (credit) / charge to profit and loss account	(14)	48	-	-
Deferred tax charge in the statement of total recognised gains and losses	14	102	-	-
At 31 March 2011	346	346	-	-

The deferred tax liability of £346,000 (2010 £346,000) has been deducted in arriving at the net pension asset on the balance sheet

8 Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year was £28,092,000 (2010 £25,097,000)

9 Intangible assets

	Goodwill
Group	£'000
Cost	
At 1 April 2010 and at 31 March 2011	713,096
Accumulated amortisation	
At 1 April 2010	184,298
Charge for the year	30,325
At 31 March 2011	214,623
Net book value	
At 31 March 2011	498,473
At 31 March 2010	528,798

Goodwill arising on acquisitions is being amortised over the directors' estimate of its useful economic life of 20 years

Lakeside 1 Limited

10 Tangible assets

Group	Freehold land & properties £'000	Long leasehold property £'000	Plant, equipment, fixtures & fittings £'000	Total £'000
Cost				
At 1 April 2010	11,033	612	7,291	18,936
Additions	-	-	2,603	2,603
Disposals	-	-	(278)	(278)
At 31 March 2011	11,033	612	9,616	21,261
Accumulated depreciation				
At 1 April 2010	751	26	3,264	4,041
Charge for the year	362	10	2,012	2,384
Disposals	-	-	(269)	(269)
At 31 March 2011	1,113	36	5,007	6,156
Net book amount				
At 31 March 2011	9,920	576	4,609	15,105
At 31 March 2010	10,282	586	4,027	14,895

The company has no tangible assets

Lakeside 1 Limited

11 Investments

Company	£
Cost and net book value at 1 April 2010 and 31 March 2011	1

The directors believe that the carrying value of investments is supported by their underlying net assets

The following information relates to those subsidiary undertakings of which the Lakeside group owns 100% of the ordinary share capital (except where noted) and registered in Great Britain whose results or financial position, in the opinion of the directors, principally affect the figures of the group

Name of Company	Principal activities	Shareholding
Castle 1 Limited	Intermediate holding company	100%
Bramall Construction Limited	Housing regeneration	100%
Frank Haslam, Milan & Company Limited	Housing regeneration	100%
Keepmoat Homes Limited	Private house building development	100%
Keepmoat Site Services Limited	Hire of site accommodation and motor vehicles for other Group companies	100%
Keepmoat Property Limited	Property development and the holding of property on behalf of other Group companies	100%
Keepmoat Regeneration Limited	Intermediate holding company of a Group whose principal activity is housing Regeneration	100%
Force Solutions Limited	Investment holding company	100%
Milnerbuild Limited	Maintenance, improvement, refurbishment and management of homes	93%
Evolve Built for Life Limited	Manufacture of modular units	55%

Details of operating joint venture undertakings, all of which are incorporated in Great Britain, are as follows

Name of undertaking	Description of shares and proportion of nominal value of that class held	Proportion of voting rights held	Accounting year end
Trading			
SOAR Build Limited	Ordinary shares of £1 each (50% held)	50%	31 March
Durham Villages Regeneration Limited	A class ordinary shares of £1 each (51% held)	50%	31 March
Dormant			
Hull & Gipsyville Housing Venture Limited	B class ordinary shares of £1 each (81% held)	50%	31 March
Doncaster 2000 Limited	B class ordinary shares of £1 each (81% held)	50%	31 March

Lakeside 1 Limited

Durham Villages Regeneration Limited is a joint venture between Keepmoat and Durham County Council. Its principal activity is private housebuilding, land sales and property development. The Company's registered office is The Waterfront, Lakeside Boulevard, Doncaster DN4 5PL.

SOAR Build Limited is a joint venture with SOAR Enterprises Limited. Its principal activity is training local people in construction skills whilst working for major contracts as a subcontractor. The Company's registered office is 11 Southey Hill, Sheffield, S5 8BB.

Hull & Gipsyville Housing Venture Limited is a venture with Hull City Council. Its principal activities are house building and property development. The Company's registered office is The Waterfront, Lakeside Boulevard, Doncaster DN4 5PL.

Doncaster 2000 Limited is a venture with Doncaster Metropolitan Borough Council. Its principal activity is house building and property development. The Company's registered office is The Waterfront, Lakeside Boulevard, Doncaster DN4 5PL.

Details of transactions with these companies are set out in note 28.

Lakeside 1 Limited

12 Land held for and under development

Group	2011 £'000	2010 £'000
Land held for and under development	31,607	36,815

The group has undertaken a detailed review of the net realisable value of land held for and under development both relating to plots currently in development, and land and phases of sites not yet in development. This review recognises the impact of lower selling prices and reduced activity levels being experienced across the business in recent years.

Net realisable value for land where construction of homes had commenced at the year end or is anticipated to commence within the next 12 months was assessed by estimating selling prices and costs (including sales and marketing expenses) taking into account current market conditions.

Land where house build had not commenced at the year end and was more likely to be sold undeveloped is assessed by re-appraising the land using current selling prices and costs for the proposed development and assuming an appropriate financial return to reflect the current housing market conditions and the prevailing financing environment.

At the year end the net realisable value provision amounts to £7.9m (2010: £15.8m) with the movement of £7.9m in the year reflecting utilisation of provision.

This provision will be closely monitored for adequacy and appropriateness as regards under and over provision to reflect circumstances at future balance sheet dates. Any material change to the underlying provision will be reflected through cost of sales as an exceptional item.

The company had no land held for and under development at 31 March 2011 (2010: £nil).

13 Stocks and work in progress

Group	2011 £'000	2010 £'000
House building developments in progress	43,865	27,081

The company had no stocks or work in progress at 31 March 2011 and 2010.

Lakeside 1 Limited

14 Debtors

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts falling due after more than one year:				
Amounts owed by associated undertakings (note 28)	7,146	7,051	-	-
Shared equity debtors	13,882	7,300	-	-
Deferred tax (note 7)	2,027	5,201	-	-
	23,055	19,552	-	-
Amounts falling due within one year:				
Trade debtors	87,266	76,776	-	-
Amounts recoverable on contracts	12,978	10,033	-	-
Amounts owed by group undertakings	-	-	155,362	155,444
Amounts owed by associated undertakings (note 28)	123	20	-	-
Corporation tax recoverable	475	39	-	-
Other debtors	5,345	4,013	12	12
Prepayments and accrued income	3,827	2,497	-	-
	110,014	93,378	155,374	155,456

Amounts owed by associated undertakings falling due after more than one year are unsecured and carry a rate of interest 1% above the Bank of England base rate

Amounts owed by Group, parent and associated undertakings falling due within one year are unsecured, interest free and repayable on demand

Long term debtors due under the 'Shared Equity' scheme are due for repayment at the earlier of 10 years, or the date on which there is a future sale of the related property. Interest is charged at a rate of 3% on certain debtor balances after 5 years, increasing each year thereafter in line with the Retail Prices Index plus 1%. Long term debtors are discounted to present value at a discount rate which reflects the estimated cost of finance for the loan.

Lakeside 1 Limited

15 Other creditors falling due in under one year

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank overdrafts	-	-	-	36
Trade creditors	112,663	95,987	52	-
Payments on account	29,741	31,518	-	-
Amounts owed to group undertakings	-	-	548	548
Amounts owed to associated undertakings (note 28)	305	72	-	-
Taxation and social security	7,804	13,382	-	-
Other creditors	841	1,360	-	-
Accruals and deferred income	23,350	18,195	24	22
	174,704	160,514	624	606

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

Lakeside 1 Limited

16 Loans and other borrowings

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loans				
Bank term loans	371,999	376,791	-	-
Bank mezzanine loan	80,976	78,298	-	-
Unamortised issue costs	(6,709)	(8,883)	-	-
	446,266	446,206	-	-
Shareholders financing				
Bank subordinated loans	251,932	416,141	4,108	210,880
Management loan notes	9,788	8,708	9,788	8,708
Unamortised issue costs	(1,992)	(7,929)	-	(5,624)
	259,728	416,920	13,896	213,964
Total loans and other borrowings before unamortised issue costs	714,695	879,938	13,896	219,588
Net loans and other borrowings	705,994	863,126	13,896	213,964
Maturity of financial liabilities				
Between two and five years	452,975	376,791	-	-
In more than five years	261,720	503,147	13,896	219,588

Loans and other borrowings are stated net of unamortised issue costs of £8,701,000 (2010 £16,812,000). The facilities were entered into on 16 August 2007 when amounts were drawn down to fund the acquisition of Keepmoat Limited. These costs are allocated to the profit and loss account over the term of the facilities. Interest costs are expensed to the profit and loss account on an accruals basis. In relation to certain debt instruments, interest costs accumulate over the life of the loan and are repaid on final repayment of the relevant loan, as described below. The total amount of interest accrued to 31 March 2011, which is included in the loan amounts above, is £198,069,000 (2010 £150,273,000).

The borrowings are analysed as follows -

Term loan A, £158,099,000 (2010 £160,136,000) bears interest at 3% above LIBOR. Interest is payable quarterly in arrears. The loan is repayable in full in 2013.

Term loan B, £158,099,000 (2010 £160,136,000) bears interest at 3.5% above LIBOR. Interest is payable quarterly in arrears. The loan is repayable in full in 2014.

Second lien term loan, £55,800,000 (2010 £56,519,000) bears interest at 5% above LIBOR. Interest is payable quarterly in arrears. The loan is repayable in full in 2015.

Lakeside 1 Limited

Mezzanine, £80,976,000 (2010 £78,298,000) bears both cash interest at 3.5% above LIBOR, and interest of 5.25% which accumulates over the life of the loan. The accumulated interest is due for repayment along with the original capital, in 2016.

Under an interest rate swap LIBOR has been fixed at 6.03% for a total of £399,000,000 (2010 £399,000,000). The fair value of this interest rate swap contract was a negative £27,323,428 (2010 £42,913,249). The fair value of the interest rate swap contract reflects the differential between contracted interest rates and current market rates.

Shareholder Financing:

Junior subordinated loan A, £247,824,000 (2010 £205,261,000) bears interest at 13.75% above LIBOR. LIBOR has been fixed at 5.99% for the full amount of the loan until the expiry of the loan in 2017. Interest accumulates over the lifetime of the loan and is due for repayment along with the original capital, in 2017.

The majority of Junior subordinated loan B was converted into share capital during the year, see note 18 for further details. The remaining outstanding loan amounts to £4,108,000 (2010 £210,880,000) and bears interest at 6% above LIBOR. LIBOR has been fixed at 6.03% for the full amount of the loan. Interest accumulates over the lifetime of the loan and is due for repayment along with the original capital, in 2017.

Management loan notes, £9,788,000 (2010 £8,708,000) bear interest at 6.0125% above LIBOR. Interest accumulates over the lifetime of the loan and is due for repayment in 2017. The management loan notes are unsecured. Interest accrued on the loan notes increased by £1,080,000 (2010 £961,000).

Bank loans and overdrafts are secured by a fixed charge over freehold land and buildings and a floating charge over the other assets of the group and are subject to cross guarantees with other group companies.

17 Provisions

Group	Other £'000
At 1 April 2010	-
Charged to the profit and loss account	1,860
At 31 March 2011	1,860

The company does not have any provisions.

Lakeside 1 Limited

18 Called up share capital

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Authorised				
13,468,837 ordinary shares of £0 01 each	135	135	135	135
69,588,995 A ordinary shares of £0 005 each	348	348	348	348
2,958,450 B ordinary shares of £0 005 each	15	15	15	15
2,244,806 C ordinary shares of £0 005 each	11	11	11	11
13,700,000 D ordinary shares of £0 05 each	68	-	68	-
1,531,163 E ordinary shares of £0 01 each	15	15	15	15
Total	592	524	592	524

Allotted and fully paid

13,468,837 ordinary shares of £0 01 each	135	135	135	135
3,987,100 A ordinary shares of £0 005 each	20	20	20	20
2,958,450 B ordinary shares of £0 005 each	15	15	15	15
2,244,806 C ordinary shares of £0 005 each	11	11	11	11
1,370,000 D ordinary shares of £0 005 each	68	-	68	-
1,531,163 E ordinary shares of £0 01 each	15	15	15	15
Total	264	196	264	196

On 31 March 2011 the Junior Subordinated Loan B (JSLB) with a carrying value of £232,936,000 (original capital of £150,892,000, accrued interest of £77,322,000 and PIK Notes of £4,722,000) was converted into 13,700,000 0 5p D Ordinary Shares (par value £68,500, share premium of £232,867,000 net of unamortised fees of £4,861,000) at a value per D Ordinary Share of £17 002612

19 Share premium account

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 April	1,944	1,944	1,944	1,944
Premium on shares issued during the period (note 18)	228,006	-	228,006	-
At 31 March	229,950	1,944	229,950	1,944

Lakeside 1 Limited

20 Profit and loss reserve

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 April	(292,956)	(221,699)	(61,254)	(36,157)
Loss for the financial period	(88,280)	(71,521)	(28,092)	(25,097)
Actuarial gain on pension scheme	52	366	-	-
Movement on deferred tax relating to pension scheme	(14)	(102)	-	-
At 31 March	(381,198)	(292,956)	(89,346)	(61,254)

21 Reconciliation of movements in shareholders' (deficit) / funds

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Loss for the financial period	(88,280)	(71,521)	(28,092)	(25,097)
Actuarial gains on pension scheme	52	366	-	-
Movement on deferred tax relating to pension scheme	(14)	(102)	-	-
Shares converted from debt (note 18)	68	-	68	-
Premium on shares converted from debt (note 18)	228,006	-	228,006	-
Net change in shareholders' (deficit) / funds	139,832	(71,257)	199,982	(25,097)
Shareholders' deficit at 1 April	(290,816)	(219,559)	(59,114)	(34,017)
Shareholder (deficit) / funds at 31 March	(150,984)	(290,816)	140,868	(59,114)

Lakeside 1 Limited

22 Reconciliation of operating profit to net cash flow from operating activities

	2011 £'000	2010 £'000
Operating profit	31,730	38,271
Depreciation charge (net of profit on disposals)	2,328	1,633
Amortisation and impairment of goodwill	30,325	30,080
Decrease in land held for development	5,208	4,966
(Increase) / decrease in stocks and work in progress	(16,784)	4,571
Increase in debtors	(22,876)	(23,157)
Increase in creditors	14,189	3,385
Increase in provisions	1,860	-
Difference between pension charge and cash contributions	82	(142)
Net cash flow from operating activities	46,660	59,607

23 Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
Decrease in cash in the period	(3,553)	(2,828)
Repayment of loans	6,267	12,702
Change in net debt resulting from cash flows	2,714	9,874
Other non cash items		
Debt to equity swap	228,074	-
Amortisation of debt issue costs	(3,249)	(3,249)
Accrual for debt finance costs	(73,960)	(63,546)
Movement in net debt in the year	153,579	(56,921)
Net debt at 1 April	(851,714)	(794,793)
Net debt at 31 March	(698,135)	(851,714)

Lakeside 1 Limited

24 Analysis of changes in net debt

	At 1 April 2010 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2011 £'000
Cash at bank and in hand	11,412	(3,553)	-	7,859
Debt due after 1 year	(863,126)	6,267	150,865	(705,994)
Total	(851,714)	2,714	150,865	(698,135)

25 Financial commitments

At 31 March 2011 the group had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings		Other	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Within one year	295	287	374	427
Within two to five years	1,060	935	1,154	1,748
Expiring over five years	352	318	-	-
	1,707	1,540	1,528	2,175

The company has no annual commitments under non-cancellable operating leases

Lakeside 1 Limited

26 Pension commitments

The group operates a hybrid group pension scheme, the Keepmoat Limited Group Pension Plan, with assets held in independently administered funds

A full actuarial valuation of the defined benefit scheme was carried out at 5 April 2010 and this has been updated to 31 March 2011 by a qualified independent actuary. The scheme assets are stated at their market value at 31 March 2011. The major assumptions used by the actuary to calculate the liabilities of the Keepmoat Group Pension Plan are

	2011 %	2010 %
Discount rate	5.5	5.6
Inflation rate	3.5	3.7
Salary increase rate	2.0	2.0
Increases for pension in payment	0.0	0.0

The mortality assumptions used were as follows

	31 March 2011 Years	31 March 2010 Years
Pensioner age at 65		
- Men	22.2	22.1
- Women	25.1	25.0
Current member age at 45		
- Men	23.2	23.2
- Women	26.0	26.0

Lakeside 1 Limited

The assets in the Keepmoat Group Pension Plan and the expected rates of return were

	Long-term expected rate of return	Value	Long-term expected rate of return	Value
	31 March 2011 %	31 March 2011 £'000	31 March 2010 %	31 March 2010 £'000
Equities	7.0	5,174	7.0	4,993
Bonds	4.5	723	4.5	760
Cash	3.5	113	4.5	327
Total market value of assets		6,010		6,080
Present value of scheme liabilities		(4,679)		(4,841)
Pension scheme surplus		1,331		1,239
Related deferred tax liability		(346)		(346)
Net pension asset		985		893

Reconciliation of present value of scheme liabilities

	31 March 2011 £'000	31 March 2010 £'000
Opening defined benefit obligation	4,841	3,815
Current service cost	104	81
Interest cost	259	259
Actuarial losses recognised in the year	20	1,030
Benefits paid	(545)	(344)
Closing defined benefit obligation	4,679	4,841

Lakeside 1 Limited

Reconciliation of fair value of scheme assets

	31 March 2011	31 March 2010
	£'000	£'000
Opening fair value of plan assets	6,080	4,516
Expected return on scheme assets	381	289
Actuarial gains recognised in the year	72	1,396
Employer contributions	126	170
Employee contributions	49	53
Benefits paid	(545)	(344)
Expenses paid	(153)	-
Closing fair value of plan assets	6,010	6,080

Scheme assets do not include any of Group's Limited own financial instruments, or any property occupied by group

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy Expected yields on fixed asset interest investments are based on gross redemption yields as at the balance sheet date Expected returns on equity investments reflect long term real rate experienced in respective markets

Analysis of amounts charged to the profit and loss account:

Operating profit	2011 £'000	2010 £'000
Expenses paid	153	-
Current service cost	104	81
	257	81
Other finance income	2011 £'000	2010 £'000
Expected return on pension scheme assets	381	289
Interest on pension scheme liabilities	(259)	(259)
Net return	122	30

Lakeside 1 Limited

History of experience gains and losses	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Defined benefit obligation	(4,679)	(4,841)	(3,8150)	(5,516)	(17,922)
Plan assets	6,010	6,080	4,516	6,422	18,323
Surplus	1,331	1,239	701	906	401
Experience adjustments on plan assets	72	1,396	(1,449)	(442)	150
Experience adjustment on plan liabilities	(233)	(380)	615	418	331
Total actuarial gains and losses recognised in the statement of recognised gains and losses	52	366	(382)	341	388

The pension cost charged to the profit and loss account in respect of the defined contribution scheme was £1,698,000 (2010 £1,562,000) representing contributions payable in the period Contributions due to the Keepmoat Group Pension Plan at year end were £224,537 (2010 £208,923)

27 Minority interests

	2011 £'000	2010 £'000
At 1 April	-	-
Loss on ordinary activities after taxation	611	-
At 31 March	611	-

Minority interests relate to Evolve Built for Life Limited, which is the maximum amount of funding that will be provided by the minority partner under the joint agreement and therefore is not a share of liabilities on percentage ownership

28 Related party disclosures

The Company has 50% of the voting rights in the following companies, except where indicated Details of its significant transactions are summarised as follows

(a) Durham Villages Regeneration Limited

Under agreements between Keepmoat Homes Limited, Durham Villages Regeneration Limited and Durham City Council (on 1 April 2010 Durham City Council merged into the Unitary Authority of Durham County Council), Keepmoat Homes Limited has a license to build on land owned by Durham Villages Regeneration Limited Keepmoat Homes is a wholly owned subsidiary of Keepmoat Limited Durham Villages Regeneration Limited is a company in which Keepmoat Limited holds a 50% interest During year the value of services provided under this arrangement to Durham Villages Regeneration Limited amounted to £747,276 (2010 £502,219) At 31 March 2011, the amounts owed to Durham Villages Regeneration Limited amounted to £209,178 (2010 £72,514)

Keepmoat Limited provided a medium term loan to Durham Villages Regeneration Limited for a principal sum of £7,887,088 At 31 March 2011 the amount due from Durham Villages Regeneration

Lakeside 1 Limited

Limited, which includes accrued interest, was £7,146,251 (2010 £7,050,748) Interest is accruing at 1% above the Bank of England base rate Interest charged for the year was £95,508 (2010 £118,008) Keepmoat Limited also provided certain other services in the year totalling £10,000 (2010 £10,000)

Castle 1 Limited (the holding company of Keepmoat Limited) surrendered losses by way of consortium relief to Durham Villages Regeneration Limited The total amount owed to Castle 1 Limited under these arrangements at 31 March 2009 was £96,068 (2008 £53,031)

(b) SOAR Build Limited

SOAR Build Limited is a company which Keepmoat Limited holds a 50% interest in During the year, SOAR Build Limited provided services to Frank Haslam Milan & Company Limited and Bramall Construction Limited Amounts charged by SOAR Build Limited to the Group during the year were £1,496,502 (2010 £2,083,335) Frank Haslam Milan & Company and Bramall Construction Limited also charged SOAR Build Limited for services during the year amounting to £420,989 (2010 £527,653) At the balance sheet date SOAR Build Limited owed the Group £31,657 (2010 £44,383)

(c) Other related party transactions

Show home sales

During the year the company sold 19 properties (2010 9 show homes) to James and Philip Blunt (the sons of David Blunt, who is a director of Lakeside 1 Limited, the ultimate parent company) for £1,046,000 (2010 £900,000 relating to 9 show homes sold)

Under the terms of the show home sales in previous years, the show homes are leased back to the company for an unspecified period of time at a cost of £122,000 (2010 £127,000) per annum On the sale of each show home, the sales price achieved over and above the original purchase price will be shared equally between the company and either James or Philip Blunt, provided that the company sell the property within 4 weeks of the termination of the lease agreement Any losses are borne in full by the purchaser In the current year 2 show homes (2010 1 show home) were sold under the above arrangement which resulted in the company receiving additional consideration of £31,000 (2010 £22,000), representing its share of profit

Director house sale

During the prior year the company also sold a property to J Thirlwall, a director of the company, for £65,000 The purchase was made under the company's shared equity scheme with 15% of the purchase price being financed by the company The gross balance owing to the company at the year end amounts to £9,750 (2010 £9,750), which is included within shared equity debtors at its discounted net present value of £7,940 (2010 £7,550)

36 Westbourne Gardens Limited

During the year Keepmoat Limited provided £40,548 of building services (2010 £nil) to 36 Westbourne Gardens Limited, with the full amount remaining unpaid at year end (2010 nil) D Blunt (a director of Keepmoat Limited) is the sole director of 36 Westbourne Gardens Limited, owning 33% of the share capital

Lakeside 1 Limited

29 Contingent liabilities

The group has entered into performance guarantees in the normal course of business which, at 31 March 2011, amounted to £14,948,000 (2010 £9,616,000) In the opinion of the directors, no loss will arise in respect of these guarantees

The company has given guarantees in respect of its own bank borrowings and the bank borrowings of Castle 1 Limited, its subsidiary company At 31 March 2011 borrowings covered by both these guarantees amounted to £705,994,000 (2010 £863,126,000) The guarantees are in the form of a fixed charge over freehold land and building and floating charges over the assets of the certain group companies

30 Ultimate controlling party

Following the acquisition of the Keepmoat group in August 2007 the directors do not believe there to be one ultimate controlling party