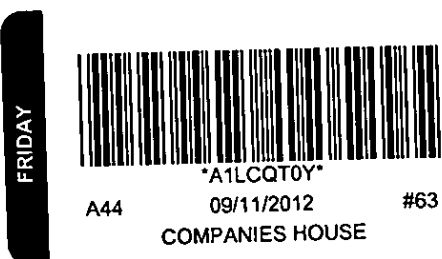


Registered number 06338921

Lakeside 1 Limited
Annual report and financial statements
for the year ended 31 March 2012



Lakeside 1 Limited
Annual report and financial statements
for the year ended 31 March 2012
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Lakeside 1 Limited

Directors and advisers for the year ended 31 March 2012

Directors

T Allison (Resigned 23 March 2012)
A Birkett (Appointed 29 August 2012)
D Blunt (Resigned 10 July 2012)
C Bovis (Resigned 23 March 2012)
D Bridges (Appointed 15 May 2012)
D Cowie (Resigned 23 March 2012)
A Hickling (Resigned 23 March 2012)
P Hindley (Resigned 22 October 2012)
N McCallum (Appointed 23 March 2012, Resigned 22 October 2012)
N Scragg (Appointed 23 March 2012, Resigned 22 October 2012)
D Sheridan (Appointed 23 March 2012)
I Sutcliffe (Appointed 10 January 2012, Resigned 22 October 2012)
J Thirlwall (Resigned 22 October 2012)
J Thomson (Appointed 15 May 2012)
P Warry (Appointed 23 March 2012)

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

Allen & Overy LLP
One Bishops Square
London
E1 6AD

Bankers

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

Lakeside 1 Limited

Chairman's Statement

Keepmoat is now a very different and much stronger company than it was at the beginning of the financial year. I will provide you with an overview of our Group today and outline the journey and the Board's vision for the future. Dave Sheridan, Keepmoat's new Chief Executive, will then provide more detail within the Chief Executive's Review.

First let me put our journey into context. The market in 2011 and 2012 has continued to be very challenging. The macro-economic environment and client difficulties in obtaining funding together with the central government cessation of regeneration funding streams has forced the Group to re-examine its strategy and vision.

The last 18 months have been eventful and have seen the successful merger of Apollo and Keepmoat, now rebranded as Keepmoat, under performance in two divisions, a restructuring, and most recently a successful refinancing and significant debt reduction. Keepmoat now has a robust balance sheet to support its long term plans.

The Group Board has been restructured, with the appointment of Dave Sheridan as Chief Executive Officer. Ian Sutcliffe steps down following the successful merger and refinance. I would like to thank him for his important contribution. The Board and the management team now combines in depth experience of the business with strong sector experience and good situational experience.

As you will see from the accounts, the performance issues of the year ended 31 March 2012 have been identified and quantified, with the underlying strategic direction and management control addressed. There remains a solid and profitable core business centred around homes development, community regeneration, responsive maintenance and sustainability with an opportunity to grow further based on the Group's strong reputation with clients.

The Group's focus in future will be on four areas:

New Build Homes – delivering new build affordable housing for sale in the open market typically to first time buyers

Community Regeneration – refurbishment, maintenance, planned maintenance, new build housing and accommodation

Responsive Maintenance – delivering repair solutions for housing providers and local authority clients across the UK

Sustainability – Keepmoat is a Green Deal provider and has considerable experience of sustainability work and partnership working with energy providers

The last eighteen months have been ones of considerable change and I would like to thank all the employees of Keepmoat, both past and present, for their hard work and focus on customer service that has ensured that our Group is the market leading provider of housing regeneration and a trusted provider for public sector bodies. We have a strong reputation for product quality, delivery and working in partnership and it is important that we continue to be known for these qualities.

Lakeside 1 Limited

Chairman's Statement (continued)

And lastly, the market is showing some signs of improvement. The Government has announced a raft of measures, most recently the building of up to another 15,000 new affordable homes and bringing an extra 5,000 empty homes back into use, putting an additional £280 million into FirstBuy which should allow 27,000 people the opportunity to buy their first home, and confirming Government Guarantees of up to £10 billion, for the development of many more new rented homes.

These new measures build on the £1.3 billion allocated to unlock stalled housing schemes, and the Affordable Homes Programme of £19.5 billion which has been set up to deliver up to 170,000 new affordable homes.

We look forward to delivering on our strategy and to reporting to you next year on our progress.

Peter Warry

Group Chairman

Note

Lakeside 1 Limited is the ultimate holding company of Keepmoat Limited (Keepmoat). Lakeside, Keepmoat and their subsidiaries are referred to as the "Keepmoat Group" or the "Group".

Lakeside 1 Limited

Chief Executive's Review

2012 has been momentous for Keepmoat following the merger with Apollo and the integration of FHM, Bramall Construction, Milnerbuild and Keepmoat Homes under the Keepmoat brand. Against a continuingly difficult economic backdrop we have significantly strengthened our offer, our management team and our financial position

The merger of Keepmoat and Apollo has created a market leader in regeneration and housing solutions serving Local Authority and Registered Providers combined with a national service capability. On a pro forma basis, that is if Keepmoat and Apollo had been merged from the start of the financial year, the Keepmoat Group revenues were £1,036.2m (2011, £1,044.3m)

Following the year end, on 23 October 2012, we completed a significant refinancing. Following the recapitalisation, the Keepmoat Group is now owned in a partnership between management and the Lloyds Banking Group. As part of the recapitalisation, Lloyds Bank converted part of the Group's debt into equity, reducing the Keepmoat Group's debt from £648 million to £300 million. In addition, the Group's revolving credit facility has been increased by £50m to £125m to allow us to take advantage of market opportunities. Reduced debt and a new capital structure supports management's long term plan for Keepmoat.

Our business is now well positioned for the long term, with a nationwide offering and a robust pipeline of work. However, the nature of our business is changing with much of the central funding reducing following the Government's comprehensive spending review. To win work going forward we need to be not only cost efficient in competitive tenders, but also to provide solutions pro-actively for both public and private sector partners. New Build Homes and Responsive Maintenance have performed well, and despite the underperformance in the highly competitive area of tendered design and build contracting, we have had a satisfactory performance in the rest of our Community Regeneration business. In all areas we have demonstrated continual improvement in Health, Safety and Environmental compliance.

Our New Build Homes business delivered a record 1,570 units (1,220 in 2011) and has secured a land bank of 16,478 plots. Private house sales account for 1,101 units, where we provide affordable, well designed houses in areas of urban regeneration. Our sales are assisted by participation in the Home Buy and New Buy programmes together with shared equity. We received four star customer service recognition from the House Builders Federation (HBF) during the year.

Our Regeneration business has undertaken a wide range of internal and external programmes of work, continuing to provide customer focussed partnership for our clients. This work has included specialist areas such as education, extra care and new build social housing, but has predominantly been planned maintenance and refurbishment.

As the Decent Homes programmes are reducing we have expanded the scope of our works to include a fourth business area. Sustainability, to meet the carbon reduction requirements of Community Energy Saving Programme (CESP) and Carbon Emission Reduction Target (CERT). These works are highly compatible with our core delivery capabilities and we expect this area to grow, with the Energy Company Obligation (ECO) commitment to carbon reduction.

Lakeside 1 Limited

Chief Executive's Review (continued)

Our Responsive Maintenance business continues to grow and, following the merger, achieved a pro forma turnover of £24.0m. We see this area of the business being highly complementary to our planned refurbishment business and consistent with our core capabilities of customer service, efficient delivery and a strong partnering approach. We are well placed to compete for both local and national contracts with our expanded geographic coverage.

2011/12 has been a challenging year for many of our staff given the economic outlook and the uncertainty that the merger may have created, but I am pleased with the way our team has responded to the changes.

The outlook for the merged company is much more positive than it would have been for any of our businesses individually. We will continue to deliver the benefits of the merger through efficiencies and best practice to ensure that we remain competitive.

Market conditions remain challenging, however we have a focussed strategy, a significantly strengthened balance sheet, a strong reputation built on trust and delivery and a highly capable team.

Dave Sheridan

Group Chief Executive Officer

“Our focus is on four core areas; New Build Homes, Community Regeneration, Responsive Maintenance and Sustainability”

Lakeside 1 Limited

Business Review

Keepmoat is a national market leader in community regeneration and housing solutions, formed by the merger between Apollo and the companies making up the former Keepmoat Group which was completed in March 2012. We have brought together our complementary experience and skills to form a new £1.0 billion community regeneration company, which has the financial strength, capability and experience to provide property solutions on a national scale

Keepmoat operates through four core business areas, New Build Homes, Community Regeneration, Responsive Maintenance and Sustainability

NEW BUILD HOMES

Keepmoat delivers new build affordable housing for sale in the open market, typically to first time buyers at an average selling price of c£105k. Keepmoat has a significant land bank and a growing number of partnerships with local authorities

COMMUNITY REGENERATION

Our key regeneration business is mainly in the public sector. Services include refurbishment of social housing such as planned maintenance and capital works, new build social housing for rent, new build elderly accommodation and new build public buildings, refurbishment and extension of educational facilities

RESPONSIVE MAINTENANCE

Keepmoat is an expert at delivering repair and maintenance solutions for housing providers and local authority clients across the UK. The business has achieved a consistently high first-time fix rate, coupled with high resident satisfaction scores

The merger has increased the strength of this business giving it greater scale, a wider geographical footprint, and the ability to undertake multi-site repairs

SUSTAINABILITY

Keepmoat sees sustainability as a key growth area and is a registered Green Deal provider

We are developing a wide range of opportunities and funding solutions to deliver for both social and private housing that seek to tackle the issues of fuel poverty, reducing carbon emissions, creating green collar jobs to support local economic growth, and improving the health and wellbeing of residents

Many of our Resident Liaison Staff have trained as Energy Saving Trust advisors. With the support of CESP funding and our local understanding, in some areas we have achieved 100% uptake from both social and privately owned homes for whole house retrofit

Through local community engagement and partnership working, we will continue to drive the sustainability agenda forward

Lakeside 1 Limited

Business Review (continued)

PARTNERSHIP APPROACH

Keepmoat has built up strong, long standing relationships with local authorities, care providers and strategic registered providers over a number of years, through providing high quality service and product delivery and with the aim of developing a partnership approach

One of Keepmoat's great strengths is our ability to establish and successfully deliver Public Private Partnerships (PPPs) and we work closely with the public sector, communities, strategic allies and key stakeholders to deliver holistic and sustainable solutions. Through collaborative, partnership working we deliver a bespoke service which responds to our clients' requirements, whilst also investing in local communities

This expertise in PPPs has enabled us to generate a substantial land bank, with a current pipeline in excess of 16,000 plots. The vast majority of this pipeline, over 90%, has been secured through partnerships with the public sector, with a further major benefit of preferential payment terms

“We have the financial strength to provide solutions to our clients on a national scale”

STRONG TRACK RECORD

Keepmoat is a national market leader in sustainable housing regeneration and development solutions

- Last year we built, refurbished or repaired almost 260,000 properties
- We refurbished one property for every working minute
- In the past year we have built nearly 3,000 homes and 128 senior living homes
- We respond to 320 maintenance call outs on an average day

TRUSTED PROVIDER

Our vision is to be the most trusted provider of integrated property services, delivering community regeneration and refurbishment, new build, responsive maintenance and sustainability solutions

Lakeside 1 Limited

Business Review (continued)

Our strategy is consistent with public policy and is aligned with the Government's Housing Strategy, designed to stimulate the economy utilising a number of measures

- The release of public sector land through the HCA Developer Panel
- The launch of the £400m Get Britain Building Investment Fund
- The £500m Growing Places Fund for essential new infrastructure
- The £150m funding to bring empty homes back into productive use
- The £300m investment for up to 15,000 new affordable homes linked to the delivery of private rented housing
- "NewBuy" and "FirstBuy" mortgage assistance products

FUNDING SOLUTIONS

The further changes in HRA funding, the Government's New Homes Bonus Programme, Community Infrastructure Levy and the retention of business rates offers financial incentives, flexibility and autonomy to local authorities, to ensure that much needed housing supply is created and that local communities benefit from new housing and economic regeneration in their areas

Keepmoat's proven models offer local authorities and government regeneration agencies the opportunity to maximise and stretch the limited public funding available. Our public-private partnerships 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

As a result Keepmoat has achieved considerable success in several large scale and significant partnership agreements including

- Sheffield Housing Company
- Newcastle Scotswood Urban Regeneration Company – New Town West Development Company
- Scarborough Regeneration Partnership
- Preferred developer on 18 individual schemes generating over 2,000 homes through the HCA Delivery Partner Panel 1 opportunities
- A new five year Business Plan for Durham Villages Regeneration

These schemes have continued to add further scale to our pipeline and market position

Lakeside 1 Limited

Business Review (continued)

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, again, we refurbished 38,000 homes (2011 38,000, 2010 49,000) and our work has been carried out around the daily lives of some 160,000 residents.

As a testament to the diligent approach of our people towards health and safety, we are pleased to report that the Group shows a 48% better than average site safety performance when compared to the industry (NHBC H&S fourth quarter March 2012).

We have also registered over 2,700 sites with the Considerate Constructors Scheme, leading the industry with 268 awards – 32 gold, 67 silver and 169 bronze.

CORPORATE GOVERNANCE

Keepmoat has a detailed system of corporate governance and adheres to industry regulatory standards. We are fully compliant with the appropriate legislation on health and safety, employment, competition, environment, data protection, freedom of information, anti-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.

SUPPLY CHAIN MANAGEMENT

We continue to drive value for money solutions across our supply chain through effective procurement practices and engagement founded upon the principles of collaboration, trust and transparency.

Our procurement team deploys a 'category management' approach and has established a series of meaningful supplier frameworks that generate tremendous benefit to the business and our customers both in terms of providing a highly competitive cost base along with surety around the quality of service and delivery.

Lakeside 1 Limited

Business Review (continued)

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, including training and employment schemes. This 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 have also established 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, 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.

Our employees are encouraged to participate in the local communities they work in, by charity fund raising and improving the local environment.

OUR PEOPLE

Keepmoat directly employs 3,200 people across the UK and provides many more employment opportunities through our subcontractors.

As an organisation we are committed to the continual development of our employees and provide apprenticeships, National Vocational Qualifications (NVQs) and management skills training.

As a result of our continued investment in the professional development of our employees we have an enviable record of employee retention.

We are committed to equality of opportunities and encourage diversity in our recruitment processes, which are regularly audited to ensure compliance with our internal policies.

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.

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.

Lakeside 1 Limited

Business Review (continued)

CORE VALUES

Caring & approachable – We believe that people are paramount, whether they be our employees, clients or partners. Although we are big, we are never faceless. We work closely with everyone. We listen and are considerate to people's needs, especially the people who live in our communities. We are helpful, friendly and approachable and always seek to build a positive rapport.

Truthful & honest – The only way to deliver on our promises is to be truthful and honest in what we say and do. This is essential if we are to build trust and instil an unshakeable assurance in everyone's mind that if we say we will do something, it will get done. We give straight, open and honest answers to people's questions and keep them informed every step of the way.

Professional & diligent – Every job matters. The quality and finish of our work is paramount and should always be impeccable. We are proud of everything we do and take satisfaction in doing it well.

Positive – We are a proactive, can-do company that is focused on the future. We have the enthusiasm, energy and knowledge to overcome problems and find solutions. We see potential in everything and treat every project as an opportunity to improve everyone's quality of life.

Responsible – We are a conscientious company and care about what we do, how we do it and the effect our work has. We want to create confident, sustainable, socially responsible communities that minimise waste and impact on the environment. We are committed to leaving behind a positive legacy for future generations.

Energetic & passionate – Caring about what you do creates drive and enthusiasm that's visible for all to see. Everything we do, no matter how big or small, should be delivered with the same commitment and passion – there's nothing more rewarding than doing a job well. It is the hallmark of our company.

Service driven & delivery focused – Our goals are to deliver satisfaction and to meet people's expectations. Achieving these means always having a problem-solving attitude. Our first instinct should be to help people and to share responsibility. This goes for everyone, whether they are a client, a resident, a supplier or a colleague.

Expert – We know regeneration inside and out. We keep up to date with innovation and ensure our employees are trained to the highest level in the latest construction techniques. We have the capability to produce high quality, affordable communities, maintaining them to the highest standard.

“Keepmoat is a national market leader in sustainable housing regeneration and property solutions”

Lakeside 1 Limited

Chief Financial Officer's Review

FINANCIAL REVIEW

On 23 March 2012 Lakeside 1 Limited completed the merger of the companies making up the former Keepmoat and Apollo Groups. The merger was effected by way of an acquisition by Keepmoat Limited of Conquest Bidco Limited, the holding company of the Apollo Group of Companies.

Keepmoat Limited is a wholly owned subsidiary of Lakeside 1 Limited, the ultimate holding company of the Keepmoat Group. Lakeside, Keepmoat and their subsidiaries are referred to as the "Keepmoat Group" or the "Group."

The financial information presented in this report is for the group comprising Lakeside 1 Limited and its subsidiaries unless otherwise stated.

On a pro forma basis, the results of the Keepmoat Group delivered revenues of £1,036.2m (2011 £1,044.3m). Pro forma EBITDA before exceptional costs was £56.6m (2011 £93.5m). Post exceptional costs, EBITDA was £19.6m (2011 £88.3m).

The profit and loss account presented in this report includes the trading results of the Apollo Group for the period 23 to 31 March 2012 and the balance sheet represents the enlarged Group as at 31 March 2012. The result for the year was a turnover of £676.1m (2011 £677.1m), and a pre-exceptional adjusted EBITDA of £34.1m (2011 £69.6m). Post exceptional EBITDA excluding goodwill impairment was £1.0m (2011 £64.4m).

The group made an adjusted operating loss after exceptional items and cash interest paid of £32.9m (2011 profit of £20.8m). The total loss before tax but after goodwill amortisation and impairment, non-cash finance costs and exceptional items was £472.6m (2011 £86.0m).

The reduction in EBITDA reflects a number of challenges faced by the business during the year including a significant reduction of work stemming from the Government's Decent Homes initiative replaced by lower margin, tendered, design and build contracts, a number of which became loss making. In this regard we have reported £17.0m (2011 £nil) relating to loss making contracts. We have taken steps and put in place measures to prevent that situation re-occurring. Notwithstanding the above issues, Keepmoat's core business remains strong and profitable.

This performance was achieved amidst a very difficult and challenging economic environment in the UK, and we continue our strategic focus as a key social and affordable housing solutions provider. 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.

Keepmoat Homes achieved turnover of £161.6m (1,570 units) (2011 £126.0m (1,220 units), representing 23.9% (2011 18.6%) of total Group turnover. Our regeneration division achieved a turnover of £514.5m (2011 £551.1m). This comprised planned and responsive maintenance and new build construction projects within the social housing and education sectors.

Lakeside 1 Limited

Chief Financial Officer's Review (continued)

Keepmoat has an impressive social housing regeneration order book of £1.5bn (2011: £1.5bn), and secured plots in hand totalling 16,478 (2011: 16,101). Keepmoat is one of the major providers of social and affordable housing solutions in the UK.

CORPORATE ACTIVITY

The acquisition of Apollo was completed at a nil consideration value with transaction expenses of £2.0m, creating goodwill on acquisition of £160.2m.

As part of the merger, the Group's debt was reduced through the conversion of £304.2m junior subordinated loans into equity.

Following the year-end on 23 October 2012, the Keepmoat Group completed a significant planned recapitalisation, to replace the temporary bridge loan put in place at the time of the merger. Senior debt of £581m, interest rate swaps with a mark-to-market valuation of £34.5m, together with accrued interest of £32.5m were replaced with senior debt of £235m and mezzanine debt of £65m. The new facilities benefit from substantially increased term with facilities maturing in 2018/19 as well as a reduced margin. The remaining debt obligation of £348m owed to Lloyd's Bank was converted into equity as part of the recapitalisation. At the same time, the Group's Revolving Credit Facility of £75m was increased to £125m which will allow the Group to take advantage of market opportunities.

Following the recapitalisation, the Keepmoat Group is now owned in a partnership between management and Lloyds Banking Group.

Following the refinancing, the Keepmoat Group's debt has been reduced substantially with term debt reduced from £581m to £300m.

Lakeside 1 Limited

Chief Financial Officer's Review (continued)

The table below summarises the facilities that existed at 31 March 2012 and the facilities available to the Keepmoat Group following the refinancing

	Prior to merger	As at 31 March 2012	As at 23 October 2012	Term
	£m	£m	£m	
Senior debt	372.0	-	-	2013 / 16
Junior Loan Stock	309.6	-	-	Sep 2017
Mezzanine	85.3	-	-	Sep 2016
Senior debt	-	581.1	-	Dec 2014
Senior debt A	-	-	37.5	Sep 2018
Senior debt B	-	-	197.5	Mar 2019
Mezzanine	-	-	65.0	Sep 2019
Total term debt	766.9	581.1	300.0	
RCF	96.5	75.0	-	Dec 2018
RCF	-	-	125.0	Sep 2018
RCF	96.5	75.0	125.0	

Note: The mezzanine facility is 4.0% cash pay margin and 6.0% pay-in-kind (PIK). The company can elect to PIK the entire margin on the mezzanine facility at 12.0% for the first 18 months. PIK allows the Group to defer payment of interest to a later date.

The recapitalisation of the Group means that the business has a substantially strengthened balance sheet. A pro forma balance sheet of Keepmoat Group showing the effect of the new financing structure as at 31 March 2012 is shown below.

Lakeside 1 Limited

Chief Financial Officer's Review (continued)

The pro forma adjustments reflect the new debt structure put in place on 23 October 2012 as if it had been in place at 31 March 2012

	As at 31 March 2012	Pro forma 2012	As at 31 March 2011
	£m	£m	£m
Fixed assets	301 0	301 0	514 6
Current assets	290 8	290 8	216 4
Creditors < 1 year	(290 8)	(290 8)	(174 7)
Creditors > 1 year	(620 0)	(271 6)	(707 9)
Net assets / (liabilities)	<u>(319 0)</u>	<u>29 4</u>	<u>(151 6)</u>

Key Performance Indicators

	2012	2011
	£m	£m
Revenue	676 1	677 1
EBITDA*	34 1	69 6
%	5 0	10 3
Free cash flow	21 8	44 1
Conversion % to EBITDA	63 9%	63 4%
Regeneration order book	£1 5bn	£1 5bn
House sales plots in hand	16,478	16,101

*EBITDA is Earnings Before interest, Tax, Depreciation, Amortisation and Exceptional Items

Lakeside 1 Limited

Chief Financial Officer's Review (continued)

Revenue, operating profit and EBITDA

The Group's revenue for the year to 31 March 2012 was £676 1m (2011 £677 1m) This is slightly lower than the previous year, and reflects the challenging prevailing market conditions Adjusted operating profit fell to £32 2m (2011 £67 2m) The results for the Group include the results for Apollo from 23 March 2012

	2012	2011
	£m	£m
Revenue	676 1	677 1
Adjusted operating profit	32 2	67 2
Senior debt interest (cash paid)	(31 9)	(41 2)
Adjusted operating profit after senior debt interest	0 3	26 0
Adjusted EBITDA**	34 1	69 6

* Adjusted operating profit is stated before exceptional costs and goodwill amortisation and impairment

** Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items

Exceptional Costs excluding goodwill impairment

The exceptional trading losses relate to a number of contracts that were tendered at low margin and became loss making during delivery in one of our regions Following the merger, the Group also incurred exceptional costs relating to redundancies, and costs in relation to vacated properties and charges in relation to asset impairment following the closure of our in-house hire division Keepmoat Site Services

Keepmoat also incurred exceptional costs in dismantling its photovoltaic installation business which was no longer considered viable following the government's decision, at short notice, to bring forward the commencement date for the reductions in the feed-in tariffs from March 2012 to December 2011

During the previous year, Keepmoat ceased operations in Evolve, its joint venture off-site modular unit manufacturing division

Lakeside 1 Limited

Chief Financial Officer's Review (continued)

While most of the costs associated with this closure were incurred in the year end 31 March 2011, £1.3m of legacy costs were incurred in 2012

	2012	2011
	£m	£m
Exceptional trading losses	17.0	-
Redundancy and restructuring	6.0	1.7
Onerous leases and lease terminations	0.6	-
Dilapidations on rented properties	0.4	-
Asset, property and land impairment	7.5	-
Abortive photovoltaic installation costs	0.4	-
Evolve Built for Life Ltd	1.3	3.2
TOTAL	33.2	4.9

GOODWILL AMORTISATION AND IMPAIRMENT

The result for the year includes an annual goodwill charge of £30.5m and impairment of £340.7m from assessing the fair value of all investments following the acquisition of Conquest Bidco Limited

Lakeside 1 Limited

Chief Financial Officer's Review (continued)

CASH GENERATION AND EBITDA

The key measures of our financial performance are EBITDA (started before exceptional items) and cash generation. The operating cash flow for the year was £23.1m (2011: £46.6m) whilst adjusted EBITDA was £34.1m (2011: £69.6m).

	2012	2011
	£m	£m
Net cash inflow from operating activities	23.1	46.6
Net interest paid	(31.9)	(41.2)
Net cash inflow on acquisitions	11.3	-
Other (including additions to freehold land and buildings)	(1.3)	(2.5)
Tax	0.6	(0.2)
Decrease in financing	(1.2)	(6.3)
Increase/(Decrease) in cash	0.6	(3.6)

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 reviewed by the board on a weekly and monthly basis. Current assets mainly comprise trade receivables, work in progress and land held for the development of private housing and affordable housing through partnership schemes. As Keepmoat's focus is on public sector clients, there is no history of bad or doubtful debts. We have used working capital in the year to support our social housing contracting division and our house sales under shared equity which has underpinned the growth in our private housing division.

GOING CONCERN

The Directors have considered the adequacy of the Group's Financial Resources through a review of the financial projections for the business, taking into account the new facilities available to the Group following the refinancing on 23 October 2012. The Directors have also considered the covenants attaching to the new facilities and the likely level of headroom available to the Group. After careful consideration the Directors are satisfied that the Group and company have adequate resources to continue in operation for the foreseeable future. For this reason the Directors continue to apply the going concern basis in preparing the accounts.

Lakeside 1 Limited

Chief Financial Officer's Review (continued)

FINANCIAL RISKS

In the course of its ordinary activities, the Group is exposed to financial risks which include liquidity, credit and interest rate risks. These risks are monitored and managed 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 the long term loans previously mentioned and revolving working capital credit facilities.

Credit risk is in relation to trade receivables from clients. As a result of our strategy to generate the majority of our revenue from services to public and regulated organisations, the exposure to credit risk is extremely limited.

TAXATION

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

James Thomson

Group Chief Financial Officer

Lakeside 1 Limited

Lakeside Group Board and Executive Board

Peter Warry (1)

Group Chairman

Peter became chairman of Keepmoat Group in March 2012 on the merger with Apollo having previously been chairman of Apollo since 2009. He is also currently chairman of Morrison Utility Services Ltd and Mutual Energy Ltd.

A Chartered Engineer his previous appointments have included the chairmanships of Kier Group PLC and BSS Group PLC.

Aidan Birkett (1)

Non Executive Director

Aidan became a Non Executive Director of Keepmoat Group in August 2012. He is a Non Executive Director of Dubai International Capital.

Previously, he was Managing Partner of Deloitte's Corporate Finance practice and a member of the Deloitte Executive Committee.

Dave Sheridan (1) (2)

Group Chief Executive Officer

Dave joined the Apollo Group in 2008 and following the merger became Keepmoat's Chief Operating Officer for the Northern Businesses. Prior to the merger he was Chief Executive Officer of Apollo.

Prior to this, Dave was Managing Director of Kier's £300m northern businesses and was responsible for taking the organisation into the top 100 Companies for the Yorkshire and Humberside Region for Environmental performance.

James Thomson (1) (2)

Group Chief Financial Officer

James was appointed Chief Financial Officer in May 2012. He was formerly Group Finance Director and Chief Operating Officer of DTZ Holdings plc. Prior to that, James was at Smiths Group plc, Deutsche Bank and HSBC Investment Bank.

He is a Chartered Accountant and qualified with Price Waterhouse.

(1) Director of Lakeside Limited - Keepmoat Group Board (2) Member of Keepmoat Executive Board

Lakeside 1 Limited

Lakeside Group Board and Executive Board (continued)

David Bridges (1) (2)

Group Chief Operating Officer

David joined Keepmoat in April 2012 as Chief Operating Officer for the Southern business, having previously been on the UK Board of SEGRO where he ran their National Markets business unit and then their £2bn Greater London industrial property portfolio

David started his career with Shell and then spent eight years with Deloitte Consulting, latterly as the Partner heading up their European Sales & Marketing Strategy practice. After building a specialist marketing strategy consultancy, he spent a period on the UK Board of the house-builder, Taylor Wimpey.

Peter Hindley (2)

Managing Director Homes

Peter joined the Keepmoat Group in 1986, as a Contracts Manager for Frank Haslam Milan.

He was promoted to the position of Group Managing Director of Keepmoat Homes, having previously been Managing Director of Haslam Homes (now Keepmoat Homes) Yorkshire, a position he had held since 1998.

Sandra Smith (2)

Group Human Resources Director

Sandra joined Keepmoat Limited in May 2012, having previously held the role of Group Human Resources Director for the BSS Group PLC for 7 years.

Prior to joining the BSS Group, Sandra held the positions of Head of Human Resources within Hays Logistics for 3 years. Sandra has also held senior Human Resource roles within the financial services, manufacturing and care sectors.

(1) Director of Lakeside Limited - Keepmoat Group Board (2) Member of Keepmoat Executive Board

Lakeside 1 Limited

Directors' Report for the year ended 31 March 2012

The Directors present their annual report and the consolidated audited financial statements of the Group for the year ended 31 March 2012

Principal activities

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

Business review and future developments

The loss before tax for the year is £472.6m (2011: £86.0m) after goodwill amortisation and exceptional items of £404.4m (2011: £35.5m). Lakeside paid ordinary dividends of £nil (2011: £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 Chief Financial Officer's review on pages 4 to 19.

Directors

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

T Allison (Resigned 23 March 2012)
A Birkett (Appointed 29 August 2012)
D Blunt (Resigned 10 July 2012)
C Bovis (Resigned 23 March 2012)
D Bridges (Appointed 15 May 2012)
D Cowie (Resigned 23 March 2012)
A Hickling (Resigned 23 March 2012)
P Hindley (Resigned 22 October 2012)
N McCallum (Appointed 23 March 2012, Resigned 22 October 2012)
N Scragg (Appointed 23 March 2012, Resigned 22 October 2012)
D Sheridan (Appointed 23 March 2012)
I Sutcliffe (Appointed 10 January 2012, Resigned 22 October 2012)
J Thirlwall (Resigned 22 October 2012)
J Thomson (Appointed 15 May 2012)
P Warry (Appointed 23 March 2012)

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 £114,000 (2011: £84,000).

Employees

The Group believes that its success depends upon its employees and their development.

Further details are provided on page eight of the 'our people' section of the business review.

Lakeside 1 Limited

Directors' Report for the year ended 31 March 2012 (continued)

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 results 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 Chief Financial Officer'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

Lakeside 1 Limited

Directors' Report for the year ended 31 March 2012 (continued)

Post balance sheet events

Following the year-end on 23 October 2012, the Keepmoat Group completed a significant planned recapitalisation, to replace the temporary bridge loan put in place at the time of the merger. Senior debt of £581m, interest rate swaps with a mark-to-market valuation of £34.5m, together with accrued interest of £32.5m were replaced with senior debt of £235m and mezzanine debt of £65m. The new facilities benefit from substantially increased term with facilities maturing in 2018/19 as well as a reduced margin. The remaining debt obligation of £348m owed to Lloyd's Bank was converted into equity as part of the recapitalisation. At the same time, the Group's Revolving Credit Facility of £75m was increased to £125m which will allow the Group to take advantage of market opportunities.

Following the refinancing, the Keepmoat Group's debt has been reduced substantially with term debt reduced from £581m to £300m.

Directors' indemnities

The Group maintains liability insurance for its Directors and officers. The Group has also provided an indemnity for its Directors 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, our order book and secured plots in hand are detailed in the Chief Financial Officer's Review.

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.

Lakeside 1 Limited

Directors' Report for the year ended 31 March 2012 (continued)

Statement of Directors' responsibilities (continued)

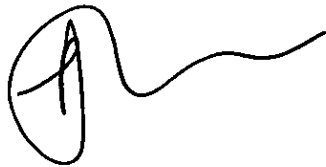
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply 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.

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.



By order of the Board

James Thomson

Group Chief Financial Officer

1 November 2012

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 2012 which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, group and parent company balance sheets, the consolidated cash flow statement, the statement of 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 24 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 and financial statements 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 2012 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

Independent Auditors' Report to the Members of Lakeside 1 Limited (continued)

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
1 November 2012

Lakeside 1 Limited

Consolidated profit and loss account for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Turnover			
- Continuing operations		663,486	677,103
- Acquisitions		12,591	-
Group turnover	1	676,077	677,103
Cost of sales		(625,805)	(572,216)
Gross profit		50,272	104,887
Administration expenses		(422,466)	(73,157)
Group operating profit before exceptional items and goodwill amortisation		32,243	67,230
Exceptional items	6	(373,936)	(5,175)
Amortisation	9	(30,501)	(30,325)
Operating (loss) / profit			
- Continuing operations		(341,815)	31,730
- Acquisitions		(30,379)	-
Group operating (loss) / profit	4	(372,194)	31,730
Share of operating loss in associated undertakings		(3)	-
Total operating (loss) / profit: group and share of associated undertakings		(372,197)	31,730
Net interest payable	5	(100,375)	(117,709)
Loss on ordinary activities before taxation		(472,572)	(85,979)
Tax on loss on ordinary activities	7	962	(2,912)
Loss on ordinary activities after taxation		(471,610)	(88,891)
Equity minority interests	28	-	611
Loss for the financial year	20	(471,610)	(88,280)

There is no difference between the profit on ordinary activities 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 2012

	Note	2012 £'000	2011 £'000
Loss for the financial year		(471,610)	(88,280)
Actuarial (loss) / gain on pension scheme	27	(377)	52
Movement on deferred tax relating to pension asset	7	90	(14)
Total recognised losses for the year	20	(471,897)	(88,242)

Lakeside 1 Limited

Balance sheets as at 31 March 2012

Registered number 06338921

	Note	Group		Company	
		2012	2011	2012	2011
		£'000	£'000	£'000	£'000
Assets					
Fixed assets					
Intangible assets	9	287,522	498,473	-	-
Tangible assets	10	12,746	15,105	-	-
Investments	11	-	-	96	-
Pension asset	27	781	985	-	-
		301,049	514,563	96	-
Current assets					
Land held for and under development	12	26,752	31,607	-	-
Stocks and work in progress	13	55,870	43,865	-	-
Debtors - amounts falling due after more than one year	14	23,833	23,055	-	-
Debtors - amounts falling due within one year	14	175,891	110,014	1,916	155,374
Cash at bank and in hand		8,495	7,859	2	14
		290,841	216,400	1,918	155,388
Total assets		591,890	730,963	2,014	155,388
Liabilities					
Capital and reserves					
Called up share capital	18	593	264	593	264
Share premium account	19	240,114	229,950	240,114	229,950
Merger reserve	21	294,006	-	-	-
Profit and loss reserve	20	(853,095)	(381,198)	(240,755)	(89,346)
Total shareholders' (deficit) / funds	22	(318,382)	(150,984)	(48)	140,868
Minority interests	28	(611)	(611)	-	-
Capital employed		(318,993)	(151,595)	(48)	140,868

Lakeside 1 Limited

Balance sheets as at 31 March 2012 (continued)

	Note	Group		Company	
		2012	2011	2012	2011
		£'000	£'000	£'000	£'000
Other liabilities					
Bank loans due after one year	16	614,766	446,266	-	-
Shareholders financing due after one year	16	-	259,728	-	13,896
Other creditors falling due in under one year	15	290,838	174,704	2,062	624
		905,604	880,698	2,062	14,520
Provisions for liabilities	17	5,279	1,860	-	-
Total liabilities		591,890	730,963	2,014	155,388

The financial statements on pages 28 to 68 were approved by the board of directors on 1 November 2012 and were signed on its behalf by



J Thomson

Group Chief Financial Officer

Lakeside 1 Limited

Consolidated cash flow statement for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	23	23,107	46,660
Returns on investment and servicing of finance			
Interest received		55	-
Interest paid		(31,945)	(41,220)
Net cash outflow from returns on investment and servicing of finance		(31,890)	(41,220)
Taxation			
UK corporation tax refund / (paid)		596	(188)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	10	(1,290)	(2,603)
Sale of tangible fixed assets		-	65
Net cash outflow for capital expenditure and financial investment		(1,290)	(2,538)
Acquisitions			
Purchase of subsidiary undertakings	33	(1,984)	-
Net cash acquired with subsidiary undertakings	33	13,269	-
Net cash inflow for acquisitions		11,285	-
Financing			
Proceeds from issue of ordinary share capital	18	329	-
Decrease in borrowings	24	(1,501)	(6,267)
Net cash outflow from financing		(1,172)	(6,267)
Increase / (decrease) in cash	24	636	(3,553)

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 Directors have considered the adequacy of the Group's Financial Resources through a review of the financial projections for the business, taking into account the new facilities available to the Group following the refinancing on 23 October 2012. The Directors have also considered the covenants attaching to the new facilities and the likely level of headroom available to the Group. After careful consideration the Directors are satisfied that the Group and company have adequate resources to continue in operation for the foreseeable future. For this reason the Directors continue to apply the going concern basis in preparing the accounts.

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 prepared 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 passed to the group. Uniform accounting policies have been adopted across the group and all 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.

Any interest rate derivatives held by the acquired subsidiary are also recorded at fair value using the provider's valuation on the date of acquisition. In-the-money derivatives are carried as a financial asset in the balance sheet, while out-of-the-money derivatives are carried as a financial liability.

Joint ventures and associates

Joint ventures comprise 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's 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.

Associated undertakings are entities over which the group has significant influence. The group's share of the profits less losses of associated undertakings net of tax, interest and non-controlling interests is included in the consolidated profit and loss account and the group's share of net assets is shown within interests in associates in the consolidated balance sheet. The group's share of associates with net liabilities are shown within other provisions.

The group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the group.

Associates and 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

Statement of accounting policies (continued)

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.

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.

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.

Lakeside 1 Limited

Statement of accounting policies (continued)

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.

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.

Lakeside 1 Limited

Statement of accounting policies (continued)

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

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the profit and loss account over the useful lives of the related assets while grants related to expenses are treated as other income in the income statement.

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 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

Statement of accounting policies (continued)

Provisions

Provisions for remedial contract provisions, vacant property obligations and restructuring costs are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Lakeside 1 Limited

Notes to the financial statements for the year ended 31 March 2012

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

	2012	2011
	£'000	£'000
Wages and salaries	84,571	94,462
Social security costs	8,814	9,142
Pensions costs	1,929	1,780
Staff costs	95,314	105,384

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	2012	2011
	Number	Number
Production	1,714	1,997
Selling and distribution	57	47
Administration	902	873
	2,673	2,917

At 31 March 2012 the Group directly employed 3,200 people across the UK (2011 2,900)

The company does not have any employees

Lakeside 1 Limited

3 Directors' emoluments

	2012	2011
	£'000	£'000
Aggregate emoluments	1,925	2,153
Compensation for loss of office	886	-
Company pension contributions to money purchase scheme	62	73
	2,873	2,226

Retirement benefits are accruing to four (2011 five) directors under a money purchase pension scheme

Highest paid director	2012	2011
	£'000	£'000
Aggregate emoluments	627	584
Compensation for loss of office	426	-
Company pension contributions to money purchase scheme	19	25

4 Operating (loss) / profit

	2012	2011
	£'000	£'000
Operating (loss) / profit is stated after charging / (crediting)		
Depreciation of tangible fixed assets - owned asset	1,901	2,384
Loss / (profit) on disposal of fixed assets	90	(56)
Amortisation of goodwill	30,501	30,325
Operating lease rentals		
- plant and machinery	8,691	7,938
- other	1,527	1,590
Exceptional items (note 6)	373,936	5,175
Auditors' remuneration for		
- audit of the company and consolidated accounts	20	10
- audit of subsidiaries of the company	235	190
- services relating to taxation	167	224
- services relating to corporate finance	1,213	-
- other services to the company and its subsidiaries	84	56

Lakeside 1 Limited

5 Net interest payable and similar charges

	2012 £'000	2011 £'000
Interest payable		
Interest accruing on shareholder financing	(55,876)	(69,807)
Interest payable on bank loans	(33,734)	(45,246)
Amortisation of loan issue costs	(8,702)	(3,249)
Shared equity re-discounting	(2,768)	-
Interest payable on bank overdrafts	(18)	(127)
Interest payable on financial instrument	(192)	-
Total interest payable	(101,290)	(118,429)
Interest receivable		
Shared equity unwind of discount	717	598
Net return on pension scheme assets	143	122
Other interest receivable	55	-
Total interest receivable	915	720
Net interest payable and similar charges	(100,375)	(117,709)

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 £2,264,000 (2011 £4,153,000)

Interest payable includes £2,768,000 arising from a reassessment of the expected repayment date of and discount rate associated with shared equity debtor balances brought forward as at 1 April 2011. Shared equity debtor balances which had previously been assumed to be redeemed over an average 5 year period, are now assumed to be redeemed over a 7 year period. In addition the discount rate used to reflect the time value of money has been increased to 7% (2011 5%) representing the estimated cost to the Group of the financing arrangement.

Lakeside 1 Limited

6 Exceptional items

	Cost of Sales £'000	Administrative Expenses £'000	2012 Total £'000	Cost of Sales £'000	Administrative Expenses £'000	2011 Total £'000
Contract losses	16,988	-	16,988	-	-	-
Land impairment (see note 12)	1,713	-	1,713	-	-	-
Evolve Built for Life Limited	1,286	-	1,286	1,371	1,786	3,157
Restructuring and associated costs (see note 10)	1,049	6,639	7,688	-	2,018	2,018
Property impairment (see note 10)	-	4,678	4,678	-	-	-
Other	-	838	838	-	-	-
	21,036	12,155	33,191	1,371	3,804	5,175
Goodwill impairment (see note 9)	-	340,745	340,745	-	-	-
	21,036	352,900	373,936	1,371	3,804	5,175

Contract losses

The exceptional contract losses relate to a small number of contracts arising in the West Midlands business unit where significant issues associated with the procurement and delivery have resulted in contract losses of such significance that they warrant a separate presentation as exceptional items

Land impairment

A review undertaken at the year end concluded that a further impairment was required in respect of the carrying value of land assets held for and under development (see note 12)

Evolve Built for Life Limited

During the previous year, the Group ceased operations in Evolve, its joint venture off-site modular unit manufacturing division. While most of the costs associated with this closure were incurred in the year end 31 March 2011, £1.3m of legacy costs were incurred in 2012

Restructuring & associated costs

Following the merger, the Group incurred significant restructuring costs in reorganising to deliver our business plan and strategic goals. These costs comprised, redundancies and associated restructuring costs, costs in relation to vacated properties, and asset impairment following the closure of our in-house hire division Keepmoat Site Services Limited and disposal of assets

Property impairment

Due to prevailing market conditions it was considered prudent to perform impairment reviews on the properties owned within the group. Following the review several properties were impaired by a total of £4.7m

Lakeside 1 Limited

6 Exceptional items (continued)

Goodwill impairment

The Group has carried out an impairment review of the goodwill held in the balance sheet. The goodwill was assessed by reference to the Group's five year business plan, using a discounted cash flow valuation. The key assumptions used in the impairment review by management were a post-tax discount rate of 12% and a long term growth assumption of 1.5%. As a result, goodwill was impaired to a fair value of £287.5m as at 31 March 2012.

Other

Other exceptional items includes a dilapidations provision which covers all of Keepmoat's leased estate. The provision is determined based on the expected dilapidations cost per property up to the end of lease, and providing for the element up to the date of the financial statements, pro-rated on a straight line basis.

The Group also incurred exceptional costs in dismantling its photovoltaic installation business which was no longer considered viable following the Government's decision, at short notice, to bring forward the commencement date for reductions in the feed-in tariffs from March 2012 to December 2011.

7 Tax on loss on ordinary activities

	2012 £'000	2011 £'000
Current tax		
UK corporation tax on loss for the year at 26% (2011: 28%)	-	(149)
Adjustments to tax in respect of previous periods	(119)	(99)
Total current tax credit	(119)	(248)
Deferred tax		
Origination and reversal of timing differences	(1,045)	2,614
Adjustment to tax charge in respect of previous period	-	176
Change in tax rate - impact on deferred tax asset	202	384
Pension cost credit in excess of pension cost relief	-	(14)
Total deferred tax (credit) / charge	(843)	3,160
Tax on loss on ordinary activities	(962)	2,912

Lakeside 1 Limited

7 Tax on loss on ordinary activities (continued)

The tax assessed for the period is higher (2011 higher) than the standard rate of corporation tax in the UK of 26% (2011 28%) The differences are explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	(472,572)	(85,979)
Loss on ordinary activities multiplied by the standard rate in the UK 26% (2011 28%)	(122,868)	(24,074)
Effects of		
Expenses not deductible for tax purposes	98,126	16,642
Adjustments to tax in respect of previous periods	(119)	(99)
Depreciation in excess of capital allowances and other timing differences	2,275	(2,586)
Deferred tax not recognised	22,467	9,869
Current tax credit for the year	(119)	(248)

Factors affecting current and future tax charges

During the year, as a result of changes in the UK main corporation tax rate from 26% to 24% that was substantively enacted on 26 March 2012 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured at 24%

Further reductions to the main rate are proposed in the March 2012 budget, these are expected to be enacted separately each year and propose to reduce the rate by 1% per annum to 22% 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.

Lakeside 1 Limited

7 Tax on loss on ordinary activities (continued)

Deferred taxation	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April	(1,681)	(4,855)	-	-
Deferred tax (credit) / charge to profit and loss account	(843)	3,160	-	-
Deferred tax (credit) / charge to statement of total recognised gains and losses	(90)	14	-	-
Deferred tax asset arising on acquisition of subsidiary undertaking	(125)	-	-	-
At 31 March – asset	(2,739)	(1,681)	-	-
Deferred taxation comprises				
Deprecation in excess of capital allowances	(1,739)	(1,299)	-	-
Other timing differences	(1,247)	(728)	-	-
Deferred tax asset (note 14)	(2,986)	(2,027)	-	-
Pension deferred tax liability (see below)	247	346	-	-
Deferred tax asset including pension	(2,739)	(1,681)	-	-

No provision has been made for deferred tax on gains recognised on the revaluation of property at its fair value by 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 £313,000 (2011: £339,000).

A deferred tax asset amounting to £26,829,000 (2011: £18,474,000) in relation to certain losses within the group has not been recognised as the directors are of the opinion that there is doubt over its recoverability. Certain losses brought forward from the previous year have also been extinguished following changes in the ownership structure of the group.

Deferred tax liability relating to pension asset	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April 2011	346	346	-	-
Deferred tax credit to profit and loss account	(9)	(14)	-	-
Deferred tax (credit) / charge in the statement of total recognised gains and losses	(90)	14	-	-
At 31 March 2012	247	346	-	-

The deferred tax liability of £247,000 (2011: £346,000) has been deducted in arriving at the net pension asset on the balance sheet.

Lakeside 1 Limited

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 £151,409,000 (2011 £28,092,000)

9 Intangible assets

	Goodwill
Group	£'000
Cost	
At 1 April 2011	713,096
Additions (note 33)	160,295
At 31 March 2012	873,391
Accumulated amortisation	
At 1 April 2011	214,623
Charge for the year	30,501
Impairment (note 6)	340,745
At 31 March 2012	585,869
Net book value	
At 31 March 2012	287,522
At 31 March 2011	498,473

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

Following the refinancing and reorganisation undertaken during the year, management performed an impairment review at 31 March 2012. Based on a value in use calculation using a discount rate of 12% an impairment of £340,745,000 was made to the carrying value of goodwill and recognised as an exceptional item.

Lakeside 1 Limited

10 Tangible assets

Group	Freehold land & property £'000	Long leasehold property £'000	Plant, equipment, fixtures & fittings £'000	Total £'000
Cost				
At 1 April 2011	11,033	612	9,616	21,261
Acquisition (note 33)	2,872	481	716	4,069
Additions	-	-	1,290	1,290
Disposals	-	-	(1,244)	(1,244)
At 31 March 2012	13,905	1,093	10,378	25,376
Accumulated depreciation				
At 1 April 2011	1,113	36	5,007	6,156
Charge for the year	373	-	1,528	1,901
Impairment (note 6)	4,678	-	1,049	5,727
Disposals	-	-	(1,154)	(1,154)
At 31 March 2012	6,164	36	6,430	12,630
Net book amount				
At 31 March 2012	7,741	1,057	3,948	12,746
At 31 March 2011	9,920	576	4,609	15,105

The company has no tangible assets at 31 March 2012 and 2011

As part of the reorganisation undertaken during the year, management have taken the decision to wind down the activities of Keepmoat Site Services Limited. Consequently an impairment of £1,049,000 has been made to the carrying value of plant and equipment to reflect the recoverable amount of certain Keepmoat Site Services Limited assets.

A review was also undertaken of the value of the group freehold land and property as at 31 March 2012 using independent qualified valuers. This identified an impairment to the carrying value of the group's freehold property of £4,678,000 (see note 6).

Lakeside 1 Limited

11 Investments

Company	£'000
Cost and net book value at 1 April 2011	-
Additions	96
Cost and net book value at 31 March 2012	96

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

On 23 March 2012 the company increased its investment in its subsidiary Castle 1 Limited by £95,499. Full details of the restructuring can be found in note 18

The company also acquired 100% of the share capital of K&A Merger Limited for £1. On 23 March 2012 the company transferred its investment in Castle 1 Limited to K&A Merger Limited for consideration of a further 1 ordinary share in K&A Merger Limited

The following information relates to those subsidiary undertakings of which the Lakeside Group owns 100% of the ordinary share capital (except where noted) and incorporated 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%
Milnerbuild Limited	Maintenance, improvement, refurbishment and management of homes	97%
Evolve Built for Life Limited	Manufacture of modular units	55%
Apollo Property Services Group Ltd	Property services mainly in housing regeneration, social housing development and school improvement works	100%
Apollo in Partnership Limited	Social housing regeneration projects within the public sector	100%
FWA West Ltd	Specialist building maintenance and refurbishment contractors	100%

Lakeside 1 Limited

11 Investments (continued)

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
Sheffield Housing Company Limited	Ordinary shares of £1 each (45% held)	45%	31 March

Durham Villages Regeneration Limited is a joint venture between Keepmoat and Durham County Council. Its principal activities are 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.

Sheffield Housing Company Limited is an associated undertaking. Its principal activity is the building of new homes in the Sheffield area. The Company's registered office is Sheffield Town Hall, Pinstone Street, Sheffield, S1 2HH.

Details of transactions with these companies are set out in note 29.

Lakeside 1 Limited

12 Land held for and under development

Group	2012 £'000	2011 £'000
Land held for and under development	26,752	31,607

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 building 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 £3.4m (2011: £7.9m) with the movement of £4.5m in the year reflecting utilisation of provisions of £6.2m and the creation of a further provision of £1.7m which has been reflected through cost of sales as an exceptional item.

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 2012 (2011: £nil).

13 Stocks and work in progress

Group	2012 £'000	2011 £'000
House building developments in progress	52,615	43,865
Work in progress	3,255	-
	55,870	43,865

The company had no stocks or work in progress at 31 March 2012 and 2011.

Lakeside 1 Limited

14 Debtors

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year				
Amounts owed by associated undertakings (note 29)	1,243	7,146	-	-
Shared equity debtors	19,604	13,882	-	-
Deferred tax (note 7)	2,986	2,027	-	-
	23,833	23,055	-	-
Amounts falling due within one year				
Trade debtors	137,549	87,266	-	-
Amounts recoverable on contracts	27,829	12,978	-	-
Amounts owed by group undertakings	-	-	1,883	155,362
Amounts owed by associated undertakings (note 29)	665	123	-	-
Corporation tax recoverable	636	475	-	-
Other debtors	5,695	5,345	33	12
Prepayments and accrued income	3,517	3,827	-	-
	175,891	110,014	1,916	155,374

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. At 31 March 2012 the company has impaired its amounts owed by Castle 1 Limited of £154,556,000 due to uncertainty on the ability of Castle 1 Limited to repay its debt to the company

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank loans (note 16)	8,823	-	-	-
Trade creditors	195,410	112,663	144	52
Payments on account	33,538	29,741	-	-
Amounts owed to group undertakings	-	-	-	548
Amounts owed to associated undertakings (note 29)	1,225	305	-	-
Other taxation and social security	12,943	7,804	-	-
Other creditors	3,817	841	-	-
Accruals and deferred income	35,082	23,350	1,918	24
	290,838	174,704	2,062	624

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

Lakeside 1 Limited

16 Loans and other borrowings

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans				
Bank term loans	581,064	371,999	-	-
Revolving credit facility	8,823	-	-	-
Derivatives	34,936	-	-	-
Bank mezzanine loan	-	80,976	-	-
Unamortised issue costs	(1,234)	(6,709)	-	-
	623,589	446,266	-	-
Shareholders' financing				
Bank subordinated loans	-	251,932	-	4,108
Management loan notes	-	9,788	-	9,788
Unamortised issue costs	-	(1,992)	-	-
	-	259,728	-	13,896
Total loans and other borrowings before unamortised issue costs	624,823	714,695	-	13,896
Net loans and other borrowings	623,589	705,994	-	13,896
Maturity of financial liabilities				
Within one year	8,823	-	-	-
Between two and five years	616,000	452,975	-	-
In more than five years	-	261,720	-	13,896

Bank financing

Loans and other borrowings are stated net of unamortised issue costs of £1,234,000 (2011 £8,701,000). 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, unless described otherwise below. The total amount of interest accrued to 31 March 2012 is £764,000 (2011 £198,069,000).

Lakeside 1 Limited

16 Loans and other borrowings (continued)

On 23 March 2012 the Group had outstanding bank term loans of £457,310,000 analysed as follows

- Term loan A £158,099,000 (2011 £158,099,000) bearing interest at 3% above LIBOR,
- Term loan B, £158,099,000 (2011 £158,099,000) bearing interest at 3.5% above LIBOR,
- Second lien term loan, £55,800,000 (2011 £55,800,000) bearing interest at 5% above LIBOR,
- Mezzanine, £85,312,000 (2011 £80,976,000) bearing cash interest at 3.5% above LIBOR, and interest of 5.25% which accumulated over the life of the loan

The above loans were converted into a new term debt facility of £457,310,000, bearing interest at 5% above LIBOR. A further outstanding facility of £123,754,000, bearing interest at 5% above LIBOR, was also drawn down. The nature of these loans was to act as bridging loans until a full refinancing had been undertaken. This was successfully achieved on 23 October and new facilities replaced the ones outstanding at the year end (see note 32)

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 companies (see note 15)

Shareholders financing

At 23 March 2012 the Junior Subordinated Loan A of £294,006,000 (2011 £247,824,000) including accumulated interest of £169,006,000, was converted into 4,500 £1 shares in Castle 1 Limited, a wholly owned subsidiary of Lakeside 1 Limited (par value £4,500, share premium £294,001,500). These shares were subsequently contributed to Lakeside 1 Limited in exchange for 4,500 £0.005 Ordinary Shares (note 18)

At 23 March 2012 Junior Subordinated Loan B notes had an accumulated value of £4,620,000 (2011 £4,108,000) being capital of £4,108,000 and accrued interest of £512,000. Of the capital, £328,000 was repaid, £3,780,000 was converted into shares (see note 18), and the interest of £512,000 was waived, and written back to the profit and loss account

At 23 March 2012 Management loan notes had an accumulated value of £11,005,000 (2011 £4,108,000) being capital of £6,384,000 and accrued interest of £4,622,000. The whole capital element was converted into shares (see note 18), and the interest was waived, and written back to the profit and loss account

The Keepmoat Group completed a significant recapitalisation on 23 October 2012 (see note 32)

Lakeside 1 Limited

17 Provisions

	Onerous Leases	Redundancy	Dilapidations	Other	Total
Group	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	-	-	-	1,860	1,860
On acquisition	-	-	384	-	384
Charged to the profit and loss account	649	4,240	843	28	5,760
Unutilised amounts credited to the profit and loss account	-	-	-	(1,860)	(1,860)
Utilised during year					
- Existing	-	(865)	-	-	(865)
- Acquired	-	-	-	-	-
At 31 March 2012	649	3,375	1,227	28	5,279

The company does not have any provisions

Dilapidations

The dilapidations provision covers all of the group's leased estate. A full provision up to the end of each lease was established by an independent external valuer, with the element up to the date of the financial statements being recognised in the accounts on a pro-rated straight line basis.

Onerous Lease

The onerous lease provision relates to all of the group's leased estate that was unused as at 31 March 2012. The provision is calculated on a property by property basis and is calculated up to the next available break date or end of lease, whichever is the earlier.

Redundancy

This relates to redundancy provisions for staff which will be paid in the first six months of the 2012/13 financial year.

Other provisions

Other provisions relate to the Group's share in the net liabilities of associated undertakings and Milnerbuild provisions. Other provisions brought forward related to long term incentive plans.

Lakeside 1 Limited

18 Called up share capital

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Allotted, called up and fully paid				
910,000 (2011 13,468,837) Ordinary shares of £0 005 (2011 £0 01) each	5	135	5	135
117,646,815 (2011 none) Deferred Fixed Dividend shares of £0 005 each	588	-	588	-
3,987,100 A ordinary shares of £0 005 each	-	20	-	20
2,958,450 B ordinary shares of £0 005 each	-	15	-	15
2,244,806 C ordinary shares of £0 005 each	-	11	-	11
13,700,000 D ordinary shares of £0 005 each	-	68	-	68
1,531,163 E ordinary shares of £0 01 each	-	15	-	15
Total	593	264	593	264

On 23 March 2012 Cavendish Square Partners Limited Partnership (Cavendish) exercised its option to subscribe for 65,601,895 A ordinary shares of £0 005 each for £328,000, bringing the total A ordinary shares in issue to 69,588,995

Immediately following this transaction the entire share capital in Lakeside was subsequently redesignated as follows

13,468,837 ordinary shares of £0 01 each were sub-divided and redesignated as 26,937,674 Deferred Fixed Dividend shares of £0 005 each. The deferred fixed dividend shares hold no voting rights and in aggregate entitle the holders to an annual fixed dividend of £100 payable annually in arrears from 31 March 2013. The shares have been classified as equity as the liability element of the shares is considered immaterial,

845,436 A ordinary shares of £0 005 each were redesignated as 845,436 new ordinary shares of £0 005 each, with the remaining 68,743,559 A ordinary shares being redesignated as 68,743,559 Deferred Fixed Dividend shares of £0 005 each,

2,958,450 B ordinary Shares of £0 005 each were redesignated as 2,958,450 Deferred Fixed Dividend shares of £0 005 each,

2,244,806 C ordinary Shares of £0 005 each were redesignated as 2,244,806 Deferred Fixed Dividend shares of £0 005 each,

13,700,000 D ordinary Shares of £0 005 each were redesignated as 13,700,000 Deferred Fixed Dividend shares of £0 005 each,

Lakeside 1 Limited

18 Called up share capital (continued)

1,531,163 E ordinary Shares of £0.01 each were sub-divided and redesignated as 3,062,326 Deferred Fixed Dividend shares of £0.005 each

Following the redesignation of the existing share capital in Lakeside, 59,900 new ordinary shares of £0.005 each were issued to management. Management loan notes of £6,384,000 (see note 16) were also converted into 100 new ordinary shares of £0.005 each (par value £0.50, share premium of £6,383,578.50).

On 23 March 2012 Junior Subordinated Loan B notes of £3,780,000 (see note 16) were also converted into 64 new ordinary shares of £0.005 each (par value £0.32, share premium of £3,780,475.68).

On 23 March 2012 Bank of Scotland converted its Junior Subordinated Loan A notes of £125,000,000 (see note 16) in Castle 1 Limited, a 100% owned subsidiary of Lakeside 1 Limited, into 4,500 ordinary shares of £1 each. Under the terms of a total return swap in place between Bank of Scotland and Cavendish these 4,500 ordinary shares were immediately transferred from Bank of Scotland to Cavendish. Cavendish subsequently contributed its shareholding in Castle 1 Limited to Lakeside 1 Limited in exchange for 4,500 new ordinary shares of £0.005 each in Lakeside 1 Limited creating a merger reserve of £294,006,000.

The Keepmoat Group completed a significant recapitalisation on 23 October 2012 (see note 32).

19 Share premium account

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
At 1 April	229,950	1,944	229,950	1,944
Premium on shares issued during the period (note 18)	10,164	228,006	10,164	228,006
At 31 March	240,114	229,950	240,114	229,950

20 Profit and loss reserve

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
At 1 April	(381,198)	(292,956)	(89,346)	(61,254)
Loss for the financial period	(471,610)	(88,280)	(151,409)	(28,092)
Actuarial (loss) / gain on pension scheme	(377)	52	-	-
Movement on deferred tax relating to pension scheme	90	(14)	-	-
At 31 March	(853,095)	(381,198)	(240,755)	(89,346)

Lakeside 1 Limited

21 Merger reserve

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April	-	-	-	-
Arising on capital transactions during the year (note 18)	294,006	-	-	-
At 31 March	294,006	-	-	-

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Loss for the financial period	(471,610)	(88,280)	(151,409)	(28,092)
Actuarial (loss) / gain on pension scheme	(377)	52	-	-
Movement on deferred tax relating to pension scheme	90	(14)	-	-
Issue of shares (note 18)	329	-	329	-
Shares converted from debt (note 18)	-	68	-	68
Movement on merger reserve (note 21)	294,006	-	-	-
Premium on shares converted from debt (note 19)	10,164	228,006	10,164	228,006
Net change in shareholders' (deficit) / funds	(167,398)	139,832	(140,916)	199,982
Shareholders' (deficit)/funds at 1 April	(150,984)	(290,816)	140,868	(59,114)
Shareholders' (deficit) / funds at 31 March	(318,382)	(150,984)	(48)	140,868

Lakeside 1 Limited

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

	2012 £'000	2011 £'000
Operating (loss) / profit	(372,194)	31,730
Share of loss in associated undertakings	(3)	-
Depreciation charge (net of loss/ (profit) on disposals) and impairment of tangible fixed assets	7,719	2,328
Amortisation and impairment of goodwill	371,246	30,325
Decrease in land held for development	4,855	5,208
Increase in stocks and work in progress	(8,414)	(16,784)
Decrease / (increase) in debtors	4,225	(22,876)
Increase in creditors	12,569	14,187
Increase in provisions	3,035	1,860
Difference between pension charge and cash contributions	69	82
Net cash flow from operating activities	23,107	46,660

24 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Increase / (decrease) in cash during the period	636	(3,553)
Repayment of loans	1,501	6,267
Change in net debt resulting from cash flows	2,137	2,714
Other non cash items		
Acquisition of subsidiary	(158,689)	-
Debt to equity swap	304,170	228,074
Amortisation of debt issue costs	(8,701)	(3,249)
Accrual for debt finance costs	(55,876)	(73,960)
Movement in net debt in the year	83,041	153,579
Net debt at 1 April	(698,135)	(851,714)
Net debt at 31 March	(615,094)	(698,135)

Lakeside 1 Limited

25 Analysis of changes in net debt

	At 1 April 2011 £'000	Cash flow £'000	Other non cash changes £'000	At 31 March 2012 £'000
Cash at bank and in hand	7,859	636	-	8,495
Debt due within 1 year	-	(8,823)	-	(8,823)
Debt due after 1 year	(705,994)	10,324	80,904	(614,766)
Total	(698,135)	2,137	80,904	(615,094)

26 Financial commitments

At 31 March 2012 the Group had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings		Other	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Within one year	307	295	788	374
Within two to five years	1,075	1,060	4,105	1,154
Expiring over five years	411	352	66	-
	1,793	1,707	4,959	1,528

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

Lakeside 1 Limited

27 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 2012 by a qualified independent actuary. The scheme assets are stated at their market value at 31 March 2012. The major assumptions used by the actuary to calculate the liabilities of the Keepmoat Group Pension Plan are

	2012 %	2011 %
Discount rate	4.7	5.5
Inflation rate	3.0	3.5
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 2012 Years	31 March 2011 Years
Pensioner age at 65		
- Men	22.3	22.2
- Women	25.1	25.1
Current member age at 45		
- Men	23.2	23.2
- Women	26.0	26.0

Lakeside 1 Limited

27 Pension commitments (continued)

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 2012 %	31 March 2012 £'000	31 March 2011 %	31 March 2011 £'000
Equities	7.0	4,706	7.0	5,174
Bonds	4.0	804	4.5	723
Cash	3.0	358	3.5	113
Total market value of assets		5,868		6,010
Present value of scheme liabilities		(4,840)		(4,679)
Pension scheme surplus		1,028		1,331
Related deferred tax liability		(247)		(346)
Net pension asset		781		985

Reconciliation of present value of scheme liabilities

	31 March 2012 £'000	31 March 2011 £'000
Opening defined benefit obligation	4,679	4,841
Current service cost	77	104
Interest cost	257	259
Actuarial losses recognised in the year	9	20
Benefits paid	(182)	(545)
Closing defined benefit obligation	4,840	4,679

Lakeside 1 Limited

27 Pension commitments (continued)

Reconciliation of fair value of scheme assets

	31 March 2012	31 March 2011
	£'000	£'000
Opening fair value of plan assets	6,010	6,080
Expected return on scheme assets	400	381
Actuarial (losses) / gains recognised in the year	(368)	72
Employer contributions	126	126
Employee contributions	49	49
Benefits paid	(182)	(545)
Expenses paid	(167)	(153)
Closing fair value of plan assets	5,868	6,010

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	2012 £'000	2011 £'000
Expenses paid	167	153
Current service cost	77	104
	244	257
Other finance income	2012 £'000	2011 £'000
Expected return on pension scheme assets	400	381
Interest on pension scheme liabilities	(257)	(259)
Net return	143	122

Lakeside 1 Limited

27 Pension commitments (continued)

History of experience gains and losses	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	(4,840)	(4,679)	(4,841)	(38,150)	(5,516)
Plan assets	5,868	6,010	6,080	4,516	6,422
Surplus	1,028	1,331	1,239	701	906
Experience adjustments on plan assets	(368)	72	1,396	(1,449)	(442)
Experience adjustment on plan liabilities	(32)	(233)	(380)	615	418
Total actuarial gains and losses recognised in the statement of recognised gains and losses	(377)	52	366	(382)	341

The pension cost charged to the profit and loss account in respect of the defined contribution scheme was £1,860,000 (2011 £1,698,000) representing contributions payable in the period. Contributions due to the Keepmoat Group Pension Plan at year end were £239,063 (2011 £224,537).

28 Minority interests

	2012 £'000	2011 £'000
At 1 April	611	-
Loss on ordinary activities after taxation	-	611
At 31 March	611	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.

Lakeside 1 Limited

29 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 £389,247 (2011 £747,276). At 31 March 2012, the amounts owed to Durham Villages Regeneration Limited amounted to £587,802 (2011 £209,178).

Keepmoat Limited provided a medium term loan to Durham Villages Regeneration Limited for a principal sum of £7,887,088. At 31 March 2012 the amount due from Durham Villages Regeneration Limited, which includes accrued interest, was £1,242,816 (2011 £7,146,251). Interest is accruing at 1% above the Bank of England base rate. Interest charged for the year was £40,560 (2011 £95,508). Keepmoat Limited also provided certain other services in the year totalling £10,000 (2011 £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 2012 was £53,031 (2011 £96,068).

(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 £1,141,504 (2011 £1,496,502). Frank Haslam Milan & Company and Bramall Construction Limited also charged SOAR Build Limited for services during the year amounting to £323,573 (2011 £420,989). At the balance sheet date SOAR Build Limited owed the group £90,284 (2011 £31,657). Keepmoat Limited also provided certain other services in the year totalling £24,000 (2011 £nil).

(c) Thurston Group Limited

Evolve Built for Life Limited a company which Keepmoat Limited holds 55% interest in charged management fees amounting to £679,500 to Thurston Group Limited, a 45% shareholder in Evolve Built for Life Limited (2011 £nil). At 31 March 2012 Evolve Built for Life Limited owed £637,361 to Thurston Group Limited (2011 £nil).

Lakeside 1 Limited

29 Related party disclosures (continued)

(d) Sheffield Housing Company Limited

Sheffield Housing Company Limited is an entity in which Keepmoat Limited holds a 45% interest. At 31 March 2012 Sheffield Housing Company Limited owed £522,000 to KGP (SHC) Limited, a 90% owned subsidiary of the Group.

(e) Other related party transactions

Show home sales

During the year the company sold 1 property (2011: 19) to James and Philip Blunt (the sons of David Blunt, who was a director of Lakeside 1 Limited, the ultimate parent company) for £110,000 (2011: £1,046,000 relating to 19 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 £68,000 (2011: £122,000) 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 5 show homes (2011: 2 show homes) were sold under the above arrangement which resulted in the company receiving additional consideration of £79,000 (2011: £31,000), representing its share of profit. At 31 March 2012 an amount of £8,164 (2011: £nil) was due from David, James and Philip Blunt.

Director house sale

During the financial year ended 31 March 2010 the company 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 (2011: £9,750), which is included within shared equity debtors at its discounted net present value of £8,360 (2011: £7,940).

36 Westbourne Gardens Limited

During the previous year Keepmoat Limited provided £40,548 of building services to 36 Westbourne Gardens Limited, with an amount of £4,421 remaining unpaid at year end (2011: £40,548). D Blunt (a former director of Keepmoat Limited) is the sole director of 36 Westbourne Gardens Limited, owning 33% of the share capital.

Lakeside 1 Limited

30 Contingent liabilities

The Group has entered into performance guarantees in the normal course of business which, at 31 March 2012, amounted to £34,041,000 (2011 £14,948,000) In the opinion of the directors, no loss will arise in respect of these guarantees

The Company has given guarantees in respect of the bank borrowings of Castle 1 Limited and Keepmoat Homes Limited, its subsidiary companies At 31 March 2012 borrowings covered by both these guarantees amounted to £624,823,000 (2011 £705,994,000) 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

The Group has a Revolving Credit Facility with a maximum facility of £75 0m of which the overdraft is capped at £19,890,000 At 31 March 2012 the group was in a net cash position

31 Ultimate controlling party

At 31 March 2012 the directors considered Cavendish to be the ultimate controlling party of the group Subsequent to the year end following the recapitalisation on 23 October 2012, the directors do not believe there to be one ultimate controlling party

32 Post balance sheet events

Following the year-end on 23 October 2012, the Keepmoat Group completed a significant recapitalisation As part of this, the debt facilities of the Group were restructured Senior debt of £581 0m, interest rate swaps with a mark-to-market valuation of £34 5m, together with accrued interest of £32 5m were replaced with senior debt of £235 0m and mezzanine debt of £65 0m The new facilities benefit from substantially increased term with facilities maturing in 2018/19 as well as a reduced margin The remaining debt obligation of £348 0m owed to Bank of Scotland was converted into equity as part of the buy-out At the same time, the Group's Revolving Credit Facility of £75 0m was increased to £125 0m which will allow the Group to take advantage of market opportunities

Following the refinancing, the Keepmoat Group's debt has been reduced substantially with term debt reduced from £581 0m to £300 0m

Lakeside 1 Limited

33 Acquisition

Keepmoat Limited, a subsidiary of the company, acquired Conquest Bidco Limited and its subsidiaries on 23 March 2012 for £1,984,000 inclusive of transaction related expenses. The results of the companies acquired are included in the consolidated balance sheet and profit and loss account from this date.

Conquest Bidco Limited contributed £1,425,000 to the group's net operating cash flows.

In its last financial year to 31 March 2011 Conquest Bidco Limited and its subsidiaries made a loss after tax of £14,202,000. The aggregated results of the Conquest Bidco group acquired in the period since that date to the date of acquisition were as follows:

			£'000
Period from 1 April 2011 to 23 March 2012			
Turnover			360,102
Operating profit			11,381
Loss before tax			(12,941)
Taxation			(231)
Total recognised loss for the period			(13,172)
Conquest Bidco Limited acquisition	Book value	Fair value adjustments	Total fair value
	£'000	£'000	£'000
Tangible fixed assets (note 10)	4,801	(732)	4,069
Stock	3,591	-	3,591
Debtors	72,327	-	72,327
Cash	13,269	-	13,269
Creditors	(92,421)	-	(92,421)
Loans and derivatives	(123,753)	(34,936)	(158,689)
Provisions	(384)	-	(384)
Net liabilities acquired	(122,570)	(35,668)	(158,238)
Goodwill (note 9)			160,222
Total purchase consideration and transaction related expenses			1,984

Lakeside 1 Limited

33 Acquisition (continued)

	£'000
Consideration satisfied by	
Cash	1,984

The book values of the assets and liabilities have been taken from the consolidated management accounts of Conquest Bidco Limited at 23 March 2012

Management reviewed the book values of the assets and liabilities acquired at 23 March 2012. This resulted in a £732,000 to the carrying value of freehold properties and the recognition of a liability relating to an out of the money interest rate swap of £34,936,000.

Other acquisitions

During the year Keepmoat Limited acquired a further 4% in Milnerbuild Limited, a trading subsidiary, for a deferred consideration of £73,000 which is included in other creditors.