Aaron Services Limited

Annual Report and Financial Statements
Registered number 03193203

30 September 2017

AARON SERVICES LIMITED

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AARON SERVICES LIMITED

COMPANY INFORMATION

Directors

D M Lummis
J L Posey
R G Prior
K Taylor
J J C Simpson
M McMahon

Secretary and registered office

J Charlton
1 King George Close
Romford
Essex
RM7 7LS

Auditor

RSM UK Audit LLP
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Bankers

The Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Company registration number

03193203

AARON SERVICES LIMITED

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 September 2017.

Principal activity

The principal activity of the Company continued to be that of installation and maintenance of plumbing and heating systems.

Key strategy and future development

Our core strategy is to achieve turnover and profit growth through winning new contracts, by offering a high quality service and from benefiting from the strategic advantages of being part of a larger group. Our membership of the Lakehouse Group will continue to bring benefits particularly in the improvement of our tendering and bid submissions. We continue to believe that our strategy of working closely with our clients and offering a quality service will result in increased business opportunities. The business is also working with other Group companies on a number of projects.

The directors continue to believe that the market in which the company operates will continue to provide opportunities for future growth.

The directors also believe that the outlook for the Company is positive and with the continued investment in the business, our ability to offer a quality service to our clients, and by continuing to work closely with our customers, the business will continue to achieve profitable growth.

Business review

The period has been a busy one for the business, as we continue to grow and develop. It is an express aim of the business to continue to grow organically, while maintaining our financial stability. The social housing market is expected to remain extremely competitive for the foreseeable future, although the directors believe that the business remains in a very strong position to cope and flourish in these conditions.

Turnover decreased from £40.2 million in the 18 months ended 30 September 2016 to £28.5 million for the year ended 30 September 2017 due mainly to the difference in length of each period.

The profit on ordinary activities before taxation increased from £0.9 million in the 18 months ended 30 September 2016 to £1.0 million for the year ended 30 September 2017. This increase in profitability was due mainly to a decrease in operating expenses.

The net assets of the Company decreased by £1.2m in the year to £2.1m (2016: £3.3m); this was due to the dividend paid in the year exceeding the profit after tax. The Company had net current assets of £2.0m.

Key financial performance indicators

The Company's key performance indicators ("KPIs") include:

Description	Year ended 30 September 2017	18 months to 30 September 2016
Revenue	£28.5 million	£40.2 million
Profit on ordinary activities before tax	£1.0 million	£0.9 million

Principal risks and uncertainties

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

The key risks to the Company are the following:

- Changes in market led price competition
- Change in economic conditions
- Reduction in public sector expenditure
- Supply chain risks
- Prolonged periods of cold weather
- A major Health and Safety issue

The Company's operations are dependent on UK Government and local government policy with regard to expenditure on improving and maintaining social housing and public buildings and to public expenditure levels in general. The Company has significant exposure to the public sector and it is, therefore, dependent upon levels of public expenditure and the policies of local government and housing association customers which follow their own strategies within the context of overall UK Government policy. Any material change in UK Government and/or local government priorities and programmes, including reducing present or future investment and spending on the building, refurbishment or maintenance of social housing, public buildings or other areas in which the Company provides its services, could have a material adverse impact on the Company's business, financial condition and results of operations.

The Board considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation of the ultimate parent company, which do not differ materially from those of the Company, were disclosed on pages 26 to 29 of the Lakehouse plc Annual Report for the year ended 30 September 2017, which can be found at https://www.lakehouse.co.uk/investors/results-and-presentations.

Employees

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

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

The board would like to express its appreciation to all its employees for their commitment and hard work during an exciting period of change for the business.

Signed by order of the directors

1 King George Close
Romford
Essex
RM7 7LS

J Charlton
Secretary

21 February 2018

AARON SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2017.

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments, employee consultation and disclosure concerning employment of disabled persons.

Directors and directors' interests

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

D M Lummis
J L Posey
R G Prior
K Taylor
J J C Simpson
M McMahon

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

Directors' indemnity

The Company provides, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities that may incur in the discharge of their duties or in the exercise of their power, including any liability relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Future developments and events after the balance sheet date

Details of future developments can be found in strategic report on page 2, there are no significant events since the balance sheet date that require disclosure or adjustment.

Financial risk management objectives and policies

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company does not enter into derivatives to manage its credit risk.

The maximum exposure to credit risk at the reporting date is represented by the carrying value of the financial assets in the statement of financial position.

There has been a minimal history of bad debts as the majority of its sales are to local government councils, housing trust partnerships and utility companies and as a consequence the directors do not consider that the Company has a material exposure to credit risk.

Market risk

As the Company only operates in the UK and only transacts in Sterling, the Company's activities expose it primarily to the financial risks of changes in interest rates only.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Lakehouse plc Board, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company's policy on liquidity is to ensure that there are sufficient committed borrowing facilities to meet the Company's long to medium-term funding requirements.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Disclosure of information to auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

DIRECTORS' REPORT *(continued)*

Dividends

Dividends paid on ordinary shares for the year amounted to £2,000,000 (2016: £251,069).

Going concern

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

Auditor

Following a competitive retender of the audit, Deloitte LLP resigned during the period and RSM UK Audit LLP was appointed in office as auditor. RSM UK Audit LLP has indicated its willingness to be reappointed for another term. A resolution to re-appoint RSM UK Audit LLP as auditor will be proposed at the Annual General Meeting.

Signed by order of the directors

J Charlton
Secretary

1 King George Close
Romford
Essex
RM7 7LS

21 February 2018

AARON SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework ('FRS 101').

Under company law the directors must not approve the Financial Statements unless they are satisfied that they; give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether Applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed in the and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AARON SERVICES LIMITED

Opinion

We have audited the financial statements of Aaron Services Limited (the 'company') for the year ended 30 September 2017 which comprise the profit and loss account, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

RSM UK Audit LLP

David Olsson (Senior Statutory Auditor)

For and on behalf RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP
23 February 2018

AARON SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2017

	Notes	Year ended 30 September 2017	18 months to 30 September 2016
		£	£
Turnover	3	**28,498,418**	40,230,720
Cost of sales		**(25,137,995)**	(33,893,999)
Gross profit		**3,360,423**	6,336,721
Other operating expenses		**(2,361,770)**	(5,415,260)
Operating profit		**998,653**	921,461
Interest payable	4	**-**	(29,997)
Interest receivable	4	**-**	210
Profit on ordinary activities before taxation	5	**998,653**	891,674
Tax on profit on ordinary activities	8	**(171,610)**	(183,304)
Profit on ordinary activities after taxation and total comprehensive income attributable to the owners of the Company		**827,043**	708,370

All of the activities of the Company are classed as continuing

The notes on pages 12 to 22 form part of these financial statements

AARON SERVICES LIMITED

BALANCE SHEET
At 30 September 2017

	Notes	2017	2016
		£	£
Fixed assets			
Tangible assets	10	**478,568**	483,902
		478,568	483,902
Current assets			
Stocks	11	**1,079,590**	1,061,699
Debtors - due within one year	12	**4,862,056**	4,294,126
Cash at bank and in hand		**1,094,037**	3,179,296
		7,035,683	8,535,121
Creditors: amounts falling due within one year	13	**(5,068,755)**	(5,399,371)
Net current assets		**1,966,928**	3,135,750
Total assets less current liabilities		**2,445,496**	3,619,652
Creditors: amounts falling due after more than one year	14	**(206,529)**	(206,528)
Provisions for liabilities	16	**(150,138)**	(151,338)
Net assets		**2,088,829**	3,261,786
Capital and reserves			
Called up share capital	17	**10,000**	10,000
Profit and loss account		**2,078,829**	3,251,786
Equity shareholders' funds		**2,088,829**	3,261,786

The financial statements of Aaron Services Limited (registered number 03193203) were approved by the board of directors and authorised for issue on 21 February 2018. They were signed on its behalf by:

J J C Simpson
Director

The notes on pages 12 to 22 form part of these financial statements

AARON SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2017

	Called up share capital	Profit and loss account	Total
	£	£	£
Balance at 1 April 2015	10,000	2,794,485	2,804,485
Profit for the period and total comprehensive income for the period	-	708,370	708,370
Dividends paid (note 9)	-	(251,069)	(251,069)
Balance at 30 September 2016	10,000	3,251,786	3,261,786
Profit for the year and total comprehensive income for the year	**-**	**827,043**	**827,043**
Dividends paid (note 9)	**-**	**(2,000,000)**	**(2,000,000)**
Balance at 30 September 2017	**10,000**	**2,078,829**	**2,088,829**

1. Accounting policies

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

Basis of accounting

Aaron Services Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 and 3.

The prior period results relate to the 18 month period ended 30 September 2016

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements the company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS") amended where necessary in order to comply with the Companies Act 2006.

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

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of Lakehouse plc. These financial statements are available to the public and can be obtained as set out in note 21.

Going concern

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

Turnover

Turnover and profit are recognised as follows:

(a) Service contracts

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

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

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

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

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

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

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

1. Accounting policies (continued)

Turnover (continued)

(b) Other income

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

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

In the event that mobilisation costs are incurred in a new and material activity, market and/or territory, such costs will be highlighted on the face of the profit and loss account, until such point as we achieve "business as usual". This will typically be defined as the point at which we cease hiring a series of net new staff for the activity and reach a sustainable level of output from those staff we have trained.

Tangible fixed assets and depreciation

Excluding investment properties, property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Short leasehold land and buildings	-	over the term of the lease
Plant & machinery	-	20% per annum on a straight line basis
Fixtures & fittings	-	15% to 33% per annum on a straight line basis
Motor vehicles	-	25% per annum on a straight line basis

Impairment of tangible assets

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

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

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

Stocks

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

1. Accounting policies (continued)

Taxation

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

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

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

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

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

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

Operating leases

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

Pension costs

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

Financial instruments

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

a) Loans and receivables

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

b) Cash and cash equivalents

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

1. Accounting policies (continued)

c) Trade and other payables

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

d) Bank and other borrowings

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

e) Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instrument's legal form. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

f) Equity instruments

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

2. Critical accounting judgements and key sources of uncertainty

Sources of estimation uncertainty

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

Critical accounting estimates and judgements

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

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

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

(i) Turnover and profit recognition

As described in the turnover accounting policy section on pages 12 and 13 service provision contracts require judgments and estimates to be made to determine the expected outcome for the individual contract.

(ii) Useful economic lives of tangible assets

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

3. Turnover

The total turnover of the Company for the year has been derived from its principal activity of installation and maintenance of plumbing and heating systems wholly undertaken in the United Kingdom.

4. Interest

	Year ended 30 September 2017	18 months to 30 September 2016
	£	£
Interest payable:		
Bank interest	-	(354)
Other interest	-	(29,643)
	-	(29,997)
Interest receivable:		
Bank interest	-	210

5. *Profit on ordinary activities before taxation*

	Year ended 30 September 2017	18 months to 30 September 2016
Profit on ordinary activities before taxation is stated after charging / (crediting):	£	£
Amount of stock recognised as an expense	**8,102,029**	12,435,035
Depreciation of owned tangible fixed assets (note 10)	**148,769**	343,659
Profit on disposal of fixed assets	**(1,814)**	-
Impairment of stock	-	353,991
Auditor's remuneration:		
Audit fees	**15,000**	24,000
Directors' remuneration and other benefits (note 6)	**301,388**	399,207
Operating lease rentals:		
Land and buildings	**107,350**	197,760
Plant and machinery	**836,948**	1,205,168
Management fees payable	**728,956**	731,747

6. Directors' remuneration and transactions

Directors' emoluments	Year ended 30 September 2017 £	18 months to 30 September 2016 £
Directors' emoluments	**287,241**	379,915
Pension contributions	**14,147**	19,292
	301,388	399,207
Emoluments of highest paid director		
Director's emoluments	**93,049**	107,808
Pension contributions	**4,992**	5,911
Total emoluments	**98,041**	113,719

The highest paid director did not receive or exercise share options during the year.

Number of directors accruing benefits under the company pension schemes	No.	No.
Defined contribution money purchase schemes	**4**	4

Directors' transactions
Details of transactions with directors during the period are disclosed in note 19.

7. Staff numbers and costs

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

	Year ended 30 September 2017 No.	18 months to 30 September 2016 No.
Administration and support	**126**	115
Production	**266**	262
	392	377

The aggregate payroll costs of these persons were as follows:	Year ended 30 September 2017 £	18 months to 30 September 2016 £
Wages and salaries	**11,785,835**	16,951,490
Social security costs	**1,190,651**	1,697,229
Other pension costs	**127,009**	185,169
	13,103,495	18,833,888

The Company contributes to the personal pension plans of certain employees of the Company. The assets of these schemes are held in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £127,009 (18 months to 30 September 2016: £185,169). Contributions of £20,386 were outstanding at the balance sheet date (2016: £22,176).

8. Tax on profit on ordinary activities

Analysis of tax charge in the period:

	Year ended 30 September 2017	18 months to 30 September 2016
UK Corporation tax	£	£
Current tax on income for the period	**206,790**	266,157
Adjustment in respect of prior year	**21,704**	-
	228,494	266,157
Deferred tax:		
Origination/reversal of timing differences (note 15)	**(56,884)**	(82,853)
Total tax on profit on ordinary activities	**171,610**	183,304

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

	Year ended 30 September 2017	18 months to 30 September 2016
UK Corporation tax	£	£
Profit on ordinary activities before taxation	**998,653**	891,674
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.50% (18 months to 30 September 2016: 20.00%)	**194,724**	178,335
Effect of:		
Expenses not deductible for tax purposes	**1,601**	10,176
Adjustment in respect of prior periods - deferred tax	**(47,760)**	(5,207)
Adjustment in respect of prior periods - Current tax	**21,704**	-
Change in deferred tax rate	**1,341**	
Total tax charge for period / year	**171,610**	183,304

Factors that may affect future charges

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

The closing deferred tax asset at 30 September 2017 has been calculated at 17% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

9. Dividends

	2017	2016
	£	£
Equity dividends paid of £200 per ordinary share (2016: £25.11)	**2,000,000**	251,069

10. Tangible fixed assets

	Short leasehold land and buildings	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 October 2016	143,107	676,411	650,894	188,688	1,659,100
Additions	-	33,566	110,422	-	143,988
Disposals	-	-	-	(58,385)	(58,385)
At 30 September 2017	143,107	709,977	761,316	130,303	1,744,703
Depreciation					
At 1 October 2016	38,597	432,682	520,228	183,691	1,175,198
Charge for the year	5,724	67,622	71,926	3,497	148,769
Disposals	-	-	-	(57,832)	(57,832)
At 30 September 2017	44,321	500,304	592,154	129,356	1,266,135
Net book value					
At 30 September 2017	**98,786**	**209,673**	**169,162**	**947**	**478,568**
At 30 September 2016	104,510	243,729	130,666	4,997	483,902

11. Stocks

	2017	2016
	£	£
Work in progress	**105,533**	270,403
Raw materials and consumables	**974,057**	791,296
	1,079,590	1,061,699

12. Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Trade debtors	**1,412,270**	1,389,459
Amounts owed by group undertakings	**287,267**	208,735
Other debtors	**352,543**	186,693
Prepayments and accrued income	**2,744,318**	2,500,465
Deferred tax asset (note 15)	**65,658**	8,774
	4,862,056	4,294,126

13. Creditors – amounts falling due within one year

	2017	2016
	£	£
Trade creditors	**2,980,504**	3,240,958
Amounts owed to group undertakings	**554,744**	732,959
Corporation tax	**195,782**	126,827
Other taxation and social security	**894,607**	812,572
Other creditors	**111,036**	154,833
Accruals and deferred income	**332,082**	331,222
	5,068,755	5,399,371

14. Creditors – amounts falling due after more than one year

	2017	2016
	£	£
Other creditors	**206,529**	206,528

15. Deferred taxation

	2017	2016
	£	£
The deferred taxation included in the Balance Sheet is as follows:		
Included in debtors (note 12)	**65,658**	8,774
The movement in the deferred tax account during the year was:		
Asset / (liability) brought forward	**8,774**	(74,079)
Profit and loss account movement arising during the period (note 8)	**56,884**	82,853
Asset carried forward	**65,658**	8,774
The balance on the deferred taxation account consists of the tax effect of timing differences in respect of:		
Accelerated capital allowances	**(11,557)**	(23,166)
Short term timing differences	**77,215**	31,940
	65,658	8,774

16. Provisions for liabilities

	Property dilapidation provision £
At 1 October 2016	151,338
Released in the year	(1,200)
At 30 September 2017	150,138

Due to the nature of this provision the timing and amount of cashflows is uncertain.

17. Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid		
9,999 (2016: 9,999) Ordinary shares of £1 each	**9,999**	9,999
1 (2016: 1) Ordinary share of £1 each	**1**	1
	10,000	10,000

The 'A' Ordinary share has no voting rights. On a winding up or repayment of capital, the holder of the 'A' Ordinary share is entitled to repayment of the capital paid up on that share but shall not be entitled to participate in the assets or income of the company.

The Ordinary shares and 'A' Ordinary share rank pari passu in all other respects.

18. Financial commitments

There were no capital commitments contracted but not provided for in the period (18 months to 30 September 2016: none).

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

	2017		2016	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Within one year	**102,350**	**659,209**	102,350	471,601
Between two and five years	**277,775**	**627,557**	319,525	425,128
After more than five years	**138,750**	**-**	199,350	-
	518,875	**1,286,766**	621,225	896,729

AARON SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2017

19. Related party transactions

Directors' transactions – Trading transactions

The company had trading transactions with the following related parties:

Walker Martyn Software Limited is a company owned by Mr D Lummis.

The amounts included in the profit and loss account are:

	Year ended 30 September 2017	18 months to 30 September 2016
	£	£
Purchases from Walker Martyn Software Limited	**38,093**	63,082

Directors' current accounts

Included in creditors is £nil (2016: £nil) representing amounts due to Walker Martyn Software Limited at the balance sheet date.

20. Guarantees

There is a charge over all of the company's assets in respect of continuing security for the Group's obligations to pay under the Group's £25m Revolving Credit Facility with RBS.

21. Ultimate control

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

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