

Garbol Limited

Report and Financial Statements

Year Ended

30 September 2008

5635505



BDO Stoy Hayward
Chartered Accountants

WEDNESDAY



A05 15/07/2009 290
COMPANIES HOUSE

Garbol Limited

Annual report and financial statements for the year ended 30 September 2008

Contents

Page:

1	Report of the directors
5	Independent auditor's report
7	Consolidated profit and loss account
8	Consolidated balance sheet
10	Company balance sheet
11	Consolidated cash flow statement
12	Notes forming part of the financial statements

Directors

P D Holliday OBE
M T Morris
K Breen
M R Lethaby
D R Hillman

Secretary and registered office

D R Hillman, 1 Tamdown Way, Braintree, Essex, CM7 2QL

Company number

05635505

Auditors

BDO Stoy Hayward LLP, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW

Garbol Limited

Report of the directors for the year ended 30 September 2008

The directors present their report together with the audited financial statements for the year ended 30 September 2008.

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

During the year an interim dividend of £350,000 (2007 – £175,000) was declared and paid.

A final dividend of £350,000 (2007 - £350,000) has been proposed.

Principal activities

Garbol Ltd is an investment company which owns a group trading in the groundworks, remediation, concrete structures and asbestos removal industry.

Business Review

With turnover of £63.1m the Directors are pleased with the year's trading despite the current economic issues which had an adverse effect on the housing industry.

The key performance indicators for the business are :

- Turnover - £63.1m
- Gross profit - £10.9m
- Gross profit margin - 18% (17% 2007)
- Operating profit - £2.65m
- Administrative Expenses - £8.25m

Overheads as a percentage of turnover increased from 2007 due to the investment in people at the end of 2007. During the second half of 2008 the business was restructured and the cost of this is included in the current overhead figure. The business has reviewed all costs – overhead and cost of sales – and will continue to do so to ensure the business is best placed to trade through the current economic downturn.

Our divisions are as follows :

- Groundworks and Structures – our Structures division has grown during the year contributing £1.4m of turnover and starts 08/09 with an order book already equal to its 07/08 turnover. Our groundworks business maintains an order book in excess of £36m as of January 2009.
- Remediation – Remediation enjoyed increased turnover in 2008 of £6.4m through expanding its markets.
- Asbestos – Environmental Asbestos Solutions Ltd has secured it's first term contract and expects this to be the basis for future contracts.

Garbol Limited

Report of the directors for the year ended 30 September 2008 (continued)

People

Our people are key to our success. The Group reduced it's workforce to 516 (551 in 2007). We will continue to consult with our staff and are committed to retaining the skills and experience gained by them for the future. Staff levels continue to be monitored to ensure that they meet the turnover levels for the business.

Continuing emphasis on Health and Safety has been reinforced during the year with "Worksmart" being introduced across the business. Foremen attended training workshops and these are now being extended to all staff at all levels.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees, and the directors are committed to encouraging employee involvement in the business. In order to do this, the group has continued to hold "Roadshows" (staff communication and workshop days) during the year, encouraging participation from all, around cost awareness and continuing improvement.

Full consideration has and will be given to employment applicants from disabled persons having regard to their particular aptitude and abilities. If an appropriate vacancy is available, then, where practicable, arrangements will be made to continue under normal terms and conditions the employment of an employee who becomes disabled. Disabled employees are given fair consideration for training, career development and promotion.

Plant

Continual focus on improvement in the quality of services and the involvement in staff during the year looking at cost improvement has helped to increase the gross profit margin. Roadshows involved staff in looking at efficiencies in the use of plant on site.

Following significant investment in our plant in 2007, investment was kept at a lower level in 2008. Decisions concerning the purchase of vehicles are made after taking into account environmental considerations, such as the new CO2 legislation for London.

Future Development

Whilst the current economic outlook is uncertain, the Directors' planned emergence into new sectors will provide a base for the future. Tendering levels remain high and a secured order book of £36m includes residential, industrial and public sector activities. The residential market includes private and social housing. The public sector market has given us the opportunity to build car parks, college blocks, a fire station and libraries. In excess of 70% of current tenders are for public sector works.

The Director's consider 2009 will be a very challenging year for all but believe that the business is well placed to take advantage of opportunities as they present themselves in the coming year. The business is focused on cost reduction at all levels and managing cash will be vital. Enhanced credit control facilities have been introduced and will be future improved in 2009.

Garbol Limited

Report of the directors for the year ended 30 September 2008 (*continued*)

Principal risks and uncertainties

The key business risk is the economic downturn. Focus on cost reduction by all staff and an awareness of the issues will help negate this. A closeness to our clients and understanding of the pipeline will also help us to plan ahead.

The Group conducts its business within the UK and is not subject to any significant exchange risk. Liquidity and interest rate risk is managed by Garbol Ltd. The interest rate risk is managed through the use of an interest rate cap on the loan which has a £9,765,000 balance at the end of the period. The interest rate is linked to LIBOR and the current reduction in rates is being reflected in the reduced cost of servicing the loan. Capital repayments of £1.69m were made in 2008 and further payments of £2.4m will also be made during 2009. The liquidity risk is managed by access to a revolving credit facility which can be drawn down. However, due to the strong cash position of the business this has not been used.

The Company's credit risk is primarily attributable to its debtors. A strong credit control department with daily monitoring of our debtors assists in highlighting issues early. In addition, we monitor the risk of our clients and look to spread our risk with the addition of new clients and reduced exposure to house builders.

Directors

The directors of the company during the year were:

P D Holliday OBE
M T Morris
K Breen
M R Lethaby
D R Hillman

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Garbol Limited

Report of the directors for the year ended 30 September 2008 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

D R Hillman



Director

Date: 6.3.09

Garbol Limited

Independent auditor's report

To the shareholders of Garbol Limited

We have audited the group and parent company financial statements (the "financial statements") of Garbol Limited for the year ended 30 September 2008 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Garbol Limited

Independent auditor's report (*continued*)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 September 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

Chelmsford

Date: *13 March 2009*

Garbol Limited

Consolidated profit and loss account for the year ended 30 September 2008

	Note	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
Turnover: Group and share of joint venture		63,422,926	97,788,876
Less: share of joint venture turnover		(311,159)	(39,894)
Turnover	2	63,111,767	97,748,982
Cost of sales		52,199,932	80,700,904
Gross profit		10,911,835	17,048,078
Administrative expenses		8,258,423	12,046,435
Group operating profit	5	2,653,412	5,001,643
Share of operating profit/(loss) in joint venture		5,454	(7,310)
Profit on ordinary activities before interest and other income		2,658,866	4,994,333
Other interest receivable and similar income		215,855	158,155
Interest payable and similar charges	6	(773,626)	(1,378,200)
Profit on ordinary activities before taxation		2,101,095	3,774,288
Taxation on profit on ordinary activities	7	1,261,587	2,299,287
Profit on ordinary activities after taxation	19	839,508	1,475,001

All amounts relate to continuing activities.

All recognised gains and losses in the current year and prior period are included in the profit and loss account.

The notes on pages 12 to 29 form part of these financial statements.

Garbol Limited

Consolidated balance sheet at 30 September 2008

	Note	30 September 2008 £	30 September 2008 £	30 September 2007 £	30 September 2007 £
Fixed assets					
Intangible assets	11		8,835,315		10,918,999
Tangible assets	12		3,280,716		4,406,927
Investments in joint ventures					
- share of gross assets		91,798		-	
- share of gross liabilities		(91,358)		-	
Fixed asset investments	10		440		-
			12,116,471		15,325,926
Current assets					
Stocks	13	237,577		626,775	
Debtors	14	12,780,156		17,750,389	
Cash at bank and in hand		3,799,013		4,465,847	
		16,816,746		22,843,011	
Creditors: amounts falling due within one year					
	15	13,434,048		21,155,715	
Net current assets			3,382,698		1,687,296
Total assets less current liabilities			15,499,169		17,013,222
Creditors: amounts falling due after more than one year					
	16	7,755,884		9,654,298	
Provisions for liabilities					
	17	464,592		569,739	
			8,220,476		10,224,037
			7,278,693		6,789,185

The notes on pages 12 to 29 form part of these financial statements.

Garbol Limited

Consolidated balance sheet at 30 September 2008 (continued)

	Note	30 September 2008 £	30 September 2008 £	30 September 2007 £	30 September 2007 £
Capital and reserves					
Called up share capital	18		5,489,184		5,489,184
Profit and loss account	19		1,789,509		1,300,001
			<hr/>		<hr/>
Shareholders' funds	20		7,278,693		6,789,185
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 6.3.09



D R Hillman
Director

The notes on pages 12 to 29 form part of these financial statements.

Garbol Limited

Company balance sheet at 30 September 2008

	Note	30 September 2008 £	30 September 2008 £	30 September 2007 £	30 September 2007 £
Fixed assets					
Intangible assets	11		5,079,497		-
Fixed asset investments	10		17,422,800		12,938,060
			<u>22,502,297</u>		<u>12,938,060</u>
Current assets					
Debtors	14	12,000		8,168,931	
Cash at bank and in hand		-		1	
		<u>12,000</u>		<u>8,168,932</u>	
Creditors: amounts falling due within one year	15	<u>9,998,977</u>		<u>5,567,648</u>	
Net current (liabilities)/assets			<u>(9,986,977)</u>		<u>2,601,284</u>
Total assets less current liabilities			<u>12,515,320</u>		<u>15,539,344</u>
Creditors: amounts falling due after more than one year	16		<u>7,755,884</u>		<u>9,654,298</u>
			<u>4,759,436</u>		<u>5,885,046</u>
Capital and reserves					
Called up share capital	18		5,489,184		5,489,184
Profit and loss account	19		(729,748)		395,862
Shareholders' funds	20		<u>4,759,436</u>		<u>5,885,046</u>

The financial statements were approved by the board of directors and authorised for issue on 6.3.09



D R Hillman
Director

The notes on pages 12 to 29 form part of these financial statements.

Garbol Limited

Consolidated cashflow statement for the year ended 30 September 2008

	Note	30 September 2008 £	30 September 2008 £	30 September 2007 £	30 September 2007 £
Net cash inflow from operating activities	23		3,996,172		10,661,444
Returns on investments and servicing of finance					
Interest received		214,431		158,155	
Interest paid: bank loans		(773,626)		(1,378,200)	
Net cash outflow from returns on investments and servicing of finance			(559,195)		(1,220,045)
Taxation					
Corporation tax paid			(1,419,634)		(3,016,854)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(1,804,153)		(669,208)	
Receipts from sale of tangible fixed assets		416,851		349,000	
Net cash outflow from capital expenditure and financial investment			(1,387,302)		(320,208)
Acquisitions and disposals					
Purchase of subsidiary undertaking		-		(7,460,876)	
Net cash acquired with subsidiary		-		1,097,385	
Net cash outflow from acquisitions and disposals			-		(6,363,491)
Dividends paid			(350,000)		(175,000)
Cash inflow/(outflow) before use of financing			280,041		(434,154)
Financing					
New loans		750,000		6,500,000	
Loans repaid		(1,696,875)		(1,600,000)	
Net cash (outflow)/inflow from financing			(946,875)		4,900,000
(Decrease)/increase in cash	24		(666,834)		4,465,846

The notes on pages 12 to 29 form part of these financial statements.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008

1 Accounting policies

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

In order to show a true and fair view the company's accounting policy in respect of purchased goodwill departs from the requirements of the Companies Act 1985. Details of this departure are given in note 10.

The following principal accounting policies have been applied:

Going concern

The company accounts for Garbol Limited have been prepared on a going concern basis. In the opinion of the directors, this basis is appropriate as its subsidiary companies have formally expressed their intentions to continue to provide financial support to the company to enable it to meet its debts as they fall due for a period of not less than one year from the date that these accounts were signed.

Basis of consolidation

The consolidated financial statements incorporate the results of Garbol Limited and all of its subsidiary undertakings as at 30 September 2008 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- 2.5% straight line
Plant and machinery	- 25% reducing balance
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 15% reducing balance
Computer equipment	- 33% reducing balance

Investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract.

Full provision is made for all known or expected losses on individual contracts.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

1 Accounting policies (*continued*)

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 10 years. Impairment tests on the carrying value of goodwill are undertaken:-

- At the end of the first full financial year following acquisition;
- In other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Joint ventures

An entity is treated as a joint venture where the group holds a long term interest and share control under a contractual agreement.

In the group accounts, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account indicates the group's share of the joint venture's turnover and includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the group's share of the identifiable gross assets (including any unamortised premium paid on acquisition) and its share of the gross liabilities attributable to its joint ventures are shown separately. Where the interest in joint ventures is a liability, the net interest is shown in provisions for liabilities and charges.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the group and arises solely within the United Kingdom.

3 Employees

Staff costs (including directors) consist of:

	Group Year ended 30 September 2008 £	Group 18 months ended 30 September 2007 £	Company Year ended 30 September 2008 £	Company 18 months ended 30 September 2007 £
Wages and salaries	16,899,965	24,259,558	-	-
Social security costs	1,684,610	2,395,411	-	-
	<u>18,584,575</u>	<u>26,654,969</u>	<u>-</u>	<u>-</u>

The average number of employees (including directors) during the year/period was as follows:

	Group Year ended 30 September 2008 Number	Group 18 months ended 30 September 2007 Number	Company Year ended 30 September 2008 Number	Company 18 months ended 30 September 2007 Number
Site workers	468	507	-	-
Administration	53	44	5	5
	<u>521</u>	<u>551</u>	<u>5</u>	<u>5</u>

4 Directors' remuneration

	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
Directors' emoluments	<u>667,516</u>	<u>1,191,774</u>

The total amount payable to the highest paid director in respect of emoluments was £263,007 (2007 - £552,789).

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

5 Operating profit

	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	881,334	1,179,362
Amortisation of positive goodwill	2,083,684	3,121,570
Loss on disposal of tangible fixed assets	23,819	16,386
Auditors' remuneration:		
- statutory audit	74,550	61,950
- compliance tax services	35,509	16,475
- transaction related services	-	19,100
- other services	10,300	1,250

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

6 Interest payable and similar charges

	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
Bank loans and overdrafts	-	1,360,836
Other interest payable	773,626	17,364
	773,626	1,378,200

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

7 Taxation on profit on ordinary activities

	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
<i>UK Corporation tax</i>		
Current tax on profits of the year/period	1,378,575	2,247,278
Adjustment in respect of previous periods	(20,767)	(15,791)
	<hr/>	<hr/>
Total current tax	1,357,808	2,231,487
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(98,042)	69,993
	<hr/>	<hr/>
<i>Other tax</i>		
Share of joint venture's tax charge	1,821	(2,193)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	1,261,587	2,299,287
	<hr/>	<hr/>

The tax assessed for the year/period is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
Profit on ordinary activities before tax	2,101,095	3,774,288
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2007 - 30%)	588,307	1,132,286
Effect of:		
Expenses not deductible for tax purposes	81,820	264,579
Depreciation for period in excess/(deficit) of capital allowances	80,867	(61,506)
Adjustment to tax charge in respect of previous periods	(20,767)	(15,791)
Amortisation of goodwill arising on consolidation	583,142	936,471
Income not taxable	-	(39,448)
Other timing differences	-	14,896
Difference in tax rates	44,439	-
	<hr/>	<hr/>
Current tax charge for the year/period	1,357,808	2,231,487
	<hr/>	<hr/>

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

8 Dividends

	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
Ordinary shares		
Final proposed for the prior year of £0.46 (2007 - £NIL) per share	350,000	-
Interim paid of £NIL (2007 - £0.23) per share	-	175,000
	<hr/>	<hr/>
Ordinary shares		
Final dividend proposed for the year of £0.46 (2007 - £0.46) per share	350,000	350,000
	<hr/>	<hr/>

The proposed final dividend has not been accrued for as the dividend was declared after the balance sheet date.

9 Profit for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a loss after tax of £775,610 (2007 - £570,862 profit) which is dealt with in the financial statements of the parent company.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

10 Fixed asset investments

Group

	Joint ventures £
<i>Cost or valuation</i>	
Transfer from provisions for liabilities and charges (note 17)	440
	<hr/>
At 30 September 2008	440
	<hr/>

Company

	Group undertakings £
<i>Cost or valuation</i>	
At 1 October 2007	12,938,060
Additions	15,973,217
Dividend in specie	(6,408,980)
Transfers	(5,079,497)
	<hr/>
At 30 September 2008	17,422,800
	<hr/>

On 30 September 2008, the company acquired the entire share capital of Tamdown Group Limited from Bolgar Limited, a subsidiary. The consideration for this investment was £15,973,137. As a result of this, Bolgar Limited no longer held any investments, which resulted in an apparent overvaluation of the investment in Bolgar Limited held in the company's books, though there is no overall loss to the company or the group which it heads. Schedule 4 to the Companies Act 1985 requires that, where an overvaluation is expected to be permanent, the investment should be written down accordingly. The directors consider that as the substance of the transaction was merely to reorganise the group's operations, such a treatment would fail to give a true and fair view and the diminution in value of the investment has instead been reallocated to goodwill (note 11).

The effect on the company's balance sheet at the period end of this departure from the requirements of Schedule 4 is to recognise goodwill of £5,079,497.

Had this departure not occurred, the effect on the financial statements would be a reduction in profit and goodwill of £5,079,497.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

10 Fixed asset investments (*continued*)

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Proportion of ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>		
Bolgar Limited	100%	Investment company
Tamdown Group Limited	100%	Civil engineers
Tamdown Regeneration Limited*	100%	Remediation contractors
Tamdown Services Limited*	100%	Labour providers
Tamdown Plant Hire Limited*	100%	Plant providers
Kings Weston Limited*	100%	Formwork specialists
<i>Joint ventures</i>		
Environmental Asbestos Solutions Limited*	50%	Asbestos removal services

* Held by Tamdown Group Limited

The above companies are registered in England and Wales. All subsidiaries have prepared financial statements for the year ending 30 September 2008.

The interests in joint ventures represents Tamdown Group Limited's 50% share in the voting rights and ordinary share capital of Environmental Asbestos Solutions Limited, acquired on its incorporation. Environmental Asbestos Solutions Limited will be preparing its first set of financial statements for the period to 30 September 2008.

Garbol Limited

Notes forming part of the financial statements
for the year ended 30 September 2008 (*continued*)

11 Intangible fixed assets

Group

	Goodwill on consolidation £
<i>Cost or valuation</i>	
At 1 October 2007 and 30 September 2008	20,836,844
<i>Amortisation</i>	
At 1 October 2007	9,917,845
Provided for the year	2,083,684
At 30 September 2008	12,001,529
<i>Net book value</i>	
At 30 September 2008	8,835,315
At 30 September 2007	10,918,999

Company

	Purchased goodwill £
<i>Cost or valuation</i>	
Additions and at 30 September 2008	5,079,497
<i>Net book value</i>	
At 30 September 2008	5,079,497
At 30 September 2007	-

Garbol Limited

Notes forming part of the financial statements
for the year ended 30 September 2008 (*continued*)

12 Tangible fixed assets

Group

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>					
At 1 October 2007	627,213	5,234,351	1,168,040	979,172	8,008,776
Additions	-	16,584	128,316	50,893	195,793
Disposals	-	(775,750)	(140,725)	(439,905)	(1,356,380)
At 30 September 2008	627,213	4,475,185	1,155,631	590,160	6,848,189
<i>Depreciation</i>					
At 1 October 2007	98,876	2,078,887	761,645	662,441	3,601,849
Provided for the year	15,680	721,397	89,807	54,450	881,334
Disposals	-	(514,260)	(102,024)	(299,426)	(915,710)
At 30 September 2008	114,556	2,286,024	749,428	417,465	3,567,473
<i>Net book value</i>					
At 30 September 2008	512,657	2,189,161	406,203	172,695	3,280,716
At 30 September 2007	528,337	3,155,464	406,395	316,731	4,406,927

Garbol Limited

Notes forming part of the financial statements
for the year ended 30 September 2008 (*continued*)

13 Stocks

	Group 30 September 2008 £	Group 30 September 2007 £	Company 30 September 2008 £	Company 30 September 2007 £
Finished goods and goods for resale	882	882	-	-
Long-term contract balances	236,695	625,893	-	-
	<u>237,577</u>	<u>626,775</u>	<u>-</u>	<u>-</u>

	Group 30 September 2008 £	Group 30 September 2007 £	Company 30 September 2008 £	Company 30 September 2007 £
--	------------------------------------	------------------------------------	--------------------------------------	--------------------------------------

Long-term contract balances comprise the following:

Net costs less foreseeable losses	<u>236,695</u>	<u>625,893</u>	<u>-</u>	<u>-</u>
-----------------------------------	----------------	----------------	----------	----------

There is no material difference between the replacement cost of stocks and the amounts stated above.

14 Debtors

	Group 30 September 2008 £	Group 30 September 2007 £	Company 30 September 2008 £	Company 30 September 2007 £
Trade debtors	11,807,942	16,919,115	-	-
Amounts owed by group undertakings	-	-	-	8,156,931
Other debtors	636,736	691,291	12,000	12,000
Prepayments and accrued income	216,088	139,983	-	-
Amounts owed by Joint Venture	119,390	-	-	-
	<u>12,780,156</u>	<u>17,750,389</u>	<u>12,000</u>	<u>8,168,931</u>

All amounts shown under debtors fall due for payment within one year.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

15 Creditors: amounts falling due within one year

	Group 30 September 2008 £	Group 30 September 2007 £	Company 30 September 2008 £	Company 30 September 2007 £
Bank loans and overdrafts (note 16)	2,601,539	1,590,873	2,601,539	1,590,873
Trade creditors	8,920,287	16,855,450	-	-
Amounts owed to group undertakings	-	-	7,346,816	3,904,896
Corporation tax	244,903	404,771	-	1,034
Other taxation and social security	589,253	818,720	-	-
Accruals and deferred income	1,078,066	1,485,901	50,622	70,845
	<u>13,434,048</u>	<u>21,155,715</u>	<u>9,998,977</u>	<u>5,567,648</u>

16 Creditors: amounts falling due after more than one year

	Group 30 September 2008 £	Group 30 September 2007 £	Company 30 September 2008 £	Company 30 September 2007 £
Bank loans	<u>7,755,884</u>	<u>9,654,298</u>	<u>7,755,884</u>	<u>9,654,298</u>

Maturity of debt:

	Loans and overdrafts 30 September 2008 £	Loans and overdrafts 30 September 2007 £
In one year or less, or on demand	<u>2,601,539</u>	<u>1,590,873</u>
In more than one year but not more than two years	2,887,206	2,414,039
In more than two years but not more than five years	<u>4,868,678</u>	<u>7,240,259</u>
	<u>7,755,884</u>	<u>9,654,298</u>

The bank loan is secured by fixed and floating charge over the assets of the group.

Garbol Limited

Notes forming part of the financial statements
for the year ended 30 September 2008 (*continued*)

17 Provisions for liabilities

Group

	Deferred taxation £	Interest in joint venture (see below) £	Other provisions £	Total £
At 1 October 2007	275,327	4,617	289,795	569,739
Credited to profit and loss account	(98,042)	-	-	(98,042)
Utilised in year	-	-	(2,488)	(2,488)
Transfer to assets	-	(4,617)	-	(4,617)
	<u>177,285</u>	<u>-</u>	<u>287,307</u>	<u>464,592</u>
At 30 September 2008	<u>177,285</u>	<u>-</u>	<u>287,307</u>	<u>464,592</u>

Deferred taxation

	Group 30 September 2008 £	Group 30 September 2007 £	Company 30 September 2008 £	Company 30 September 2007 £
Accelerated capital allowances	<u>177,285</u>	<u>275,327</u>	<u>-</u>	<u>-</u>

Other provisions

This provision is in respect of a claim against the group as a result of an accident involving a former employee.

Interest in joint venture (group)

The interest in joint venture in 2007 represented the group's share of the net liability in Environmental Asbestos Solutions Limited.

The group's interest as at 30 September 2007 comprised a £53,148 share of gross assets and a £57,765 share of gross liabilities, resulting in a net provision for liabilities and charges of £4,617.

The joint venture was profit making in the twelve months ended 30 September 2008, and held positive net assets at the balance sheet date, and is therefore shown on the balance sheet within fixed asset investments as at the balance sheet date.

Garbol Limited

Notes forming part of the financial statements
for the year ended 30 September 2008 (continued)

18 Share capital

	30 September 2008 £	Authorised 30 September 2007 £	Allotted, called up and fully paid 30 September 2008 £	30 September 2007 £
Ordinary A shares of £1 each	386,814	386,814	386,715	386,715
Ordinary B shares of £1 each	257,807	257,807	257,807	257,807
Ordinary C shares of £1 each	63,346	63,346	63,346	63,346
7% Cumulative preference shares of £1 each	4,734,027	4,734,027	4,734,027	4,734,027
Non-voting ordinary shares of £1 each	47,289	47,289	47,289	47,289
	<u>5,489,283</u>	<u>5,489,283</u>	<u>5,489,184</u>	<u>5,489,184</u>

The 7% cumulative preference shares are redeemable at the option of the company at any time following their issue, and have therefore been presented as equity instruments in accordance with FRS 25. The preference share holders are entitled to receive notice of general meetings, but do not have any voting rights. The dividends payable upon these shares are at all times subject to the approval of the board, and the rate of the dividend is indicative only. On the return of assets to shareholders, the preference share holders are paid the issue price, together with all dividend arrears, prior to the distribution of the balance of the remaining assets.

19 Reserves

Group

	Profit and loss account £
At 1 October 2007	1,300,001
Profit for the year	839,508
Dividends	(350,000)
	<u>1,789,509</u>
At 30 September 2008	

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

19 Reserves (continued)

Company

	Profit and loss account £
At 1 October 2007	395,862
Loss for the year	(775,610)
Dividends	(350,000)
	<hr/>
At 30 September 2008	(729,748)
	<hr/>

20 Reconciliation of movements in shareholders' funds

	Group 30 September 2008 £	Group 30 September 2007 £	Company 30 September 2008 £	Company 30 September 2007 £
Profit/(loss) for the year	839,508	1,475,001	(775,610)	570,862
Dividends	(350,000)	(175,000)	(350,000)	(175,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Net additions to/(deductions from) shareholders' funds	489,508	1,300,001	(1,125,610)	395,862
Opening shareholders' funds	6,789,185	5,489,184	5,885,046	5,489,184
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	7,278,693	6,789,185	4,759,436	5,885,046
	<hr/>	<hr/>	<hr/>	<hr/>

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

21 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 30 September 2008 £	Land and buildings 30 September 2007 £
Operating leases which expire:		
Within one year	35,280	16,020
In two to five years	31,562	30,000
After five years	20,580	-
	<u>87,422</u>	<u>46,020</u>

22 Contingent liabilities

Group and Company

Under a group registration, the company is jointly and severally liable for the value added tax due by other group companies.

The company's bank debts are guaranteed by Bolgar Limited, Tamdown Group Limited, Tamdown Regeneration Limited, Tamdown Services Limited, Tamdown Plant Hire Limited, and Kings Weston Limited, jointly with the other group companies and severally. At 30 September 2008 the bank debts covered by this guarantee amounted to £10,453,125 (2007 - £11,400,000).

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

	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
Operating profit	2,653,412	5,001,643
Amortisation of intangible fixed assets	2,142,811	3,121,570
Depreciation of tangible fixed assets	881,334	1,179,362
Loss on sale of tangible fixed assets	23,819	16,386
Decrease in provisions	(100,530)	294,411
Decrease/(increase) in stocks	389,198	(624,798)
Decrease/(increase) in debtors	4,970,233	(5,816,379)
(Decrease)/increase in creditors	(6,964,105)	7,489,249
	<u>3,996,172</u>	<u>10,661,444</u>
Net cash inflow from operating activities		

Garbol Limited

Notes forming part of the financial statements
for the year ended 30 September 2008 (continued)

24 Reconciliation of net cash flow to movement in net funds/(debt)

	Year ended 30 September 2008 £	18 months ended 30 September 2007 £
(Decrease)/increase in cash	(666,834)	4,465,846
Cash inflow/(outflow) from changes in debt	887,748	(11,245,171)
Movement in net debt	220,914	(6,779,325)
Opening net (debt)/funds	(6,779,324)	1
Closing net debt	(6,558,410)	(6,779,324)

25 Analysis of net funds/(debt)

	At 1 October 2007 £	Cash flow £	At 30 September 2008 £
Cash at bank and in hand	4,465,847	(666,834)	3,799,013
Debt due within one year	(1,590,873)	(1,010,666)	(2,601,539)
Debt due after one year	(9,654,298)	1,898,414	(7,755,884)
Total	(6,779,324)	220,914	(6,558,410)

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

26 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with its subsidiaries, on the grounds that they are all 100% owned and are included in the consolidated financial statements.

Controlling parties

At 30 September 2008 the company's ultimate controlling party was Michael Morris by virtue of his shareholding in the company.

Joint venture

At 30 September 2008 there was an outstanding loan of £24,406 payable from Environmental Asbestos Solutions Limited to the group, as well as a trading balance of £94,984 payable from the same company.

During the year, Environmental Asbestos Solutions Limited made sales totalling £121,218 to Tamdown Regeneration Limited, a group company.

Transactions with directors

During the year the company entered into a transaction with Keith Breen, who is a director of the company, to purchase a vehicle for £12,000.

Other transactions

At the balance sheet date, the company and group owed £4,170 to Garbol Warehousing Limited, a company connected by common directors.