

Garbol Limited

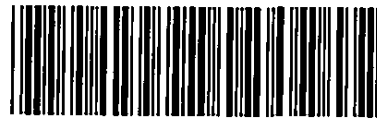
Report and Financial Statements

Year Ended

30 September 2010

Company Number 05635505

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Garbol Limited

Report and financial statements for the year ended 30 September 2010

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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 LLP, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW

Garbol Limited

Report of the directors for the year ended 30 September 2010

The directors present their report together with the audited financial statements for the year ended 30 September 2010

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

During the year the final dividend from the prior year of £350,000 was paid, in addition to this an interim dividend of £350,000 was paid, making total dividends of £700,000

The directors do not recommend the payment of a final dividend

Principal activities

The principal activity of the group is that of civil engineering and remediation contractors

Garbol Ltd is an investment company which owns a group trading across several sectors, including healthcare and education, environment and energy, affordable and private housing, infrastructure and defence

Charitable and political contributions

During the year the group made charitable contributions totalling £13,078 (2009 - £8,8543) No contributions to political parties were made

Business Review

With turnover of £58.2m the Directors are satisfied with the years' trading. The increase in turnover is reflective of the focus on customer service and the success in securing work in several sectors

The key performance indicators for the business are

- Turnover £58.2m
- Gross profit – £8.59m
- Gross profit margin – 14.7%
- Operating profit - £1.8m
- Cash £6.6m

The extremely competitive market has had an effect on our gross margin, but we are confident that the measures in place and focus on cost by the business will ensure that our gross margins remain strong

Overheads have been closely monitored and have reduced as a percentage of turnover even with investment to ensure the growth needs of the business are being met

Our divisions are as follows

- Civils and Structures – our sectors continue to expand with works carried out in health, education, defence, leisure, private and affordable housing, infrastructure and support services. Our civils business maintains an order book in excess of £52m
- Regeneration – remediation turnover has increased during the year with new clients and technologies being introduced
- Asbestos – Environmental Asbestos Solutions Ltd continues to secure term contracts giving it continuity of income

Garbol Limited

Report of the directors for the year ended 30 September 2010 (continued)

People

We recognise our people are the key to our success and invest in our people through focused, effective training and succession planning. We are proud to be Investor in People accredited for our seventh consecutive year.

The Group's internal "WorkSmart" initiative focusing on behavioural elements in Health and Safety is a pioneering approach to continuous improvement and as a result we saw a further improvement in our Accident Incident Rate to 249.2 (286.1 in 2009). This is well below the industry average of 735.6.

The economic environment remains uncertain, but we are pleased to be able to report an increase in our employee numbers during the year. We have remained committed to our staff through a variety of methods for example, our continued commitment to learning and development, staff communication days (Road-shows) encouraging employee participation and improved efficiency and cost awareness. Our employee newsletter "Tracks" is entering its second year and has been positively received by our staff as a means of keeping them informed.

Plant

We have invested in our plant during the year to maintain the fleet and ensuring that the most up to date equipment is available for our staff to use. This investment will continue during 2011.

Future Development

Whilst the current economic outlook remains uncertain, the Directors are pleased with the success of work being secured in different sectors. Our order book is strong and puts us in a good position going into 2011.

The Directors consider 2011 will be a year of continued growth within the business and expect to deliver double digit growth across the group. The business remains focused on cost control and cash management. Cash levels remain strong at £6.6m.

Principal risks and uncertainties

The key business risk is on margins. Focus on cost reduction by all members of the team and an awareness of the issues are helping to negate this. We have a strong relationship with our suppliers and will work closely with them to ensure competitive prices are achieved.

The Group conducts its business within the UK and is not subject to any significant exchange risk. The Group's liquidity and interest rate risk is managed by Garbol Ltd. The company successfully refinanced during 2010 and with cash exceeding debt by £1.1m at 30 September, we are in a strong position as we go into 2011.

The Group'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

Garbol Limited

Report of the directors for the year ended 30 September 2010 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to

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

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

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 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 29 March 2011

Garbol Limited

Independent auditor's report

TO THE MEMBERS OF GARBOL LIMITED

We have audited the financial statements of Garbol Limited for the year ended 30 September 2010 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Garbol Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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



*Richard Kelly (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Chelmsford
United Kingdom*

Date 29 March 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Garbol Limited

Consolidated profit and loss account for the year ended 30 September 2010

	Note	2010 £	2009 £
Turnover Group and share of joint venture		58,407,378	41,699,447
Less share of joint venture turnover		(204,714)	(333,318)
Turnover	2	58,202,664	41,366,129
Cost of sales		49,616,682	34,298,069
Gross profit		8,585,982	7,068,060
Administrative expenses		6,774,226	6,121,675
Group operating profit	3	1,811,756	946,385
Share of operating profit/(loss) in joint venture		17,283	(395)
Profit on ordinary activities before interest and other income		1,829,039	945,990
Other interest receivable and similar income			
- Group	6	28,800	104,046
- Joint venture		-	210
Interest payable and similar charges - group	7	(179,851)	(325,715)
Profit on ordinary activities before taxation		1,677,988	724,531
Taxation on profit on ordinary activities	8	987,966	856,630
Profit/(loss) on ordinary activities after taxation		690,022	(132,099)

All amounts relate to continuing activities

The notes on pages 12 to 33 form part of these financial statements

Garbol Limited

Consolidated statement of total recognised gains and losses for the year ended 30 September 2010

	Note	2010 £	2009 £
Consolidated statement of total recognised gains and losses			
Profit/(loss) for the financial year			
- group		673,862	(131,457)
- joint venture		16,160	(642)
- associated undertaking		-	-
		<u>690,022</u>	<u>(132,099)</u>

The notes on pages 12 to 33 form part of these financial statements

Garbol Limited

Consolidated balance sheet at 30 September 2010

<i>Company number 05635505</i>	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Intangible assets	11		5,203,330		6,751,631
Tangible assets	12		3,229,264		3,045,180
Fixed asset investments	13		-		(202)
			<hr/>		<hr/>
			8,432,594		9,796,609
Current assets					
Stocks	14	105,173		358,624	
Debtors	15	12,509,420		10,658,165	
Investments	16	86,922		26,876	
Cash at bank and in hand		6,629,140		6,283,508	
		<hr/>		<hr/>	
		19,330,655		17,327,173	
Creditors: amounts falling due within one year	17	16,283,910		15,270,310	
		<hr/>		<hr/>	
Net current assets			3,046,745		2,056,863
			<hr/>		<hr/>
Total assets less current liabilities			11,479,339		11,853,472
Creditors' amounts falling due after more than one year	18	4,567,190		4,868,678	
Provisions for liabilities	19	125,533		188,200	
		<hr/>		<hr/>	
			4,692,723		5,056,878
			<hr/>		<hr/>
			6,786,616		6,796,594
			<hr/>		<hr/>

The notes on pages 12 to 33 form part of these financial statements

Garbol Limited

Consolidated balance sheet at 30 September 2010 (*continued*)

	Note	2010 £	2010 £	2009 £	2009 £
Capital and reserves					
Called up share capital	20		5,489,184		5,489,184
Profit and loss account	21		1,297,432		1,307,410
			<hr/>		<hr/>
Shareholders' funds	22		6,786,616		6,796,594
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 29 March 2011



D R Hillman
Director

The notes on pages 12 to 33 form part of these financial statements

Garbol Limited

Company balance sheet at 30 September 2010

<i>Company number 05635505</i>	<i>Note</i>	2010	2010	2009	2009
		£	£	As restated £	As restated £
Fixed assets					
Fixed asset investments	13		21,994,347		21,994,347
Current assets					
Debtors	15	12,000		12,000	
Creditors: amounts falling due within one year	17	11,748,988		12,062,308	
Net current liabilities			(11,736,988)		(12,050,308)
Total assets less current liabilities			10,257,359		9,944,039
Creditors: amounts falling due after more than one year	18		4,567,190		4,868,678
			5,690,169		5,075,361
Capital and reserves					
Called up share capital	20		5,489,184		5,489,184
Profit and loss account	21		200,985		(413,823)
Shareholders' funds	22		5,690,169		5,075,361

The financial statements were approved by the board of directors and authorised for issue on 29 March 2011



D R Hillman
Director

The notes on pages 12 to 33 form part of these financial statements

Garbol Limited

Consolidated cashflow statement for the year ended 30 September 2010

	Note	2010 £	2009 £
Net cash inflow from operating activities	27	4,752,708	6,611,193
Returns on investments and servicing of finance	28	(210,909)	(209,028)
Taxation	28	(644,651)	(915,351)
Capital expenditure and financial investment	28	(670,423)	16,763
Acquisitions and disposals	28	18,409	-
Dividends paid	9	(700,000)	(350,000)
		<hr/>	<hr/>
Cash inflow before use of liquid resources and financing		2,545,134	5,153,577
Management of liquid resources	28	(60,046)	(19,082)
Financing	28	(2,146,509)	(2,650,000)
		<hr/>	<hr/>
Increase in cash	29	338,579	2,484,495
		<hr/>	<hr/>

The notes on pages 12 to 33 form part of these financial statements

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010

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 group's accounting policy in respect of investment properties departs from the requirements of the Companies Act 2006. Details of this departure are given in note 12

In addition in 2008 the company's accounting policy in respect of investments departed from the Companies Act 1985. Details of this departure are given in note 13

The following principal accounting policies have been applied

Change in accounting policy

As more fully explained in note 13 previously following a group reorganisation in 2008 the surplus of the investment in Bolgar Limited when compared to its book value was allocated to goodwill. However the directors now consider it would be more appropriate to include this amount within the cost of investment

There is no effect on the net assets of either the group or the company as a result of this change in accounting policy

Basis of consolidation

The consolidated financial statements incorporate the results of Garbol Limited and all of its subsidiary undertakings as at 30 September 2010 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. Turnover is recognised on an accruals basis

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

Investment properties

In accordance with SSAP 19 'Accounting for investment properties', investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 2006 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

1 Accounting policies (*continued*)

Investments

Fixed and current asset investments are both stated at cost less any provision for a permanent diminution in value

Stocks and long term contracts

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

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.

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.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

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.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (continued)

1 Accounting policies (continued)

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.

Leased assets

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

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 intention 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.

2 Turnover

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

3 Operating profit

	2010 £	2009 £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	533,092	638,219
Amortisation of positive goodwill	1,557,342	2,083,684
Profit on disposal of tangible fixed assets	(20,769)	(17,388)
Auditors' remuneration		
- statutory audit	55,000	50,000
- compliance tax services	11,500	12,750
- other services	20,050	6,250

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.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (continued)

4 Employees

Staff costs (including directors) consist of

	Group 2010 £	Group 2009 £
Wages and salaries	12,484,393	10,412,232
Social security costs	1,240,564	986,846
	<u>13,724,957</u>	<u>11,399,078</u>

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

	Group 2010 Number	Group 2009 Number
Site workers	358	287
Administration	46	42
	<u>404</u>	<u>329</u>

5 Directors' remuneration

	2010 £	2009 £
Directors' emoluments	893,862	591,129
	<u>893,862</u>	<u>591,129</u>

The total amount payable to the highest paid director in respect of emoluments was £383,091 (2009 - £229,823)

6 Other interest receivable and similar income

	2010 £	2009 £
Bank deposits	28,800	104,046
	<u>28,800</u>	<u>104,046</u>

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

7 Interest payable and similar charges

	2010 £	2009 £
Bank loans and overdrafts	179,851	325,715

8 Taxation on profit on ordinary activities

	2010 £	2009 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	983,890	919,258
Adjustment in respect of previous periods	(5,638)	-
Total current tax	978,252	919,258
<i>Deferred tax</i>		
Origination and reversal of timing differences	8,591	(63,085)
<i>Other tax</i>		
Share of joint venture's tax charge	1,123	457
Taxation on profit on ordinary activities	987,966	856,630

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

	2010 £	2009 £
Profit on ordinary activities before tax	1,677,988	724,531
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	469,837	202,869
Effect of		
Expenses not deductible for tax purposes	91,420	70,466
Capital allowances for period in (excess)/deficit of depreciation	(7,992)	68,440
Adjustment to tax charge in respect of previous periods	(5,638)	-
Amortisation of goodwill arising on consolidation	436,056	583,432
Difference in tax rates	(4,308)	(6,000)
Tax related to joint ventures	(1,123)	51
Current tax charge for the year	978,252	919,258

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

9 Dividends

	2010 £	2009 £
Ordinary shares		
Final proposed for the prior year of £0 46 (2009 - £0 46) per share	350,000	350,000
Interim paid of £0 46 (2009 - £Nil) per share	350,000	-
	<u>700,000</u>	<u>350,000</u>
Ordinary shares		
Final dividend proposed for the year of £nil (2009 - £0 46) per share	-	350,000
	<u>-</u>	<u>350,000</u>

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

10 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £1,314,808 (2009 - £665,925) 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 2010 (*continued*)

11 Intangible fixed assets

Group

	Goodwill on consolidation £
<i>Cost</i>	
At 1 October 2009	20,836,844
Additions	9,041
	<hr/>
At 30 September 2010	20,845,885
	<hr/>
<i>Amortisation</i>	
At 1 October 2009	14,085,213
Provided for the year	1,557,342
	<hr/>
At 30 September 2010	15,642,555
	<hr/>
<i>Net book value</i>	
At 30 September 2010	5,203,330
	<hr/>
At 30 September 2009	6,751,631
	<hr/>

Garbol Limited

Note forming part of the financial statements
for the year ended 30 September 2010 (*continued*)

12 Tangible fixed assets

Group

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Leasehold investment properties £	Total £
<i>Cost</i>						
At 1 October 2009	627,213	4,454,702	698,111	568,068	500,000	6,848,094
Additions	-	659,998	138,599	33,055	-	831,652
Acquisition of subsidiary	-	56,510	-	-	-	56,510
Disposals	-	(552,046)	(27,365)	-	-	(579,411)
At 30 September 2010	627,213	4,619,164	809,345	601,123	500,000	7,156,845
<i>Depreciation</i>						
At 1 October 2009	130,236	2,739,024	470,560	463,094	-	3,802,914
Provided for the year	15,680	425,899	66,323	25,190	-	533,092
Acquisition of subsidiary	-	20,608	-	-	-	20,608
Disposals	-	(417,184)	(11,849)	-	-	(429,033)
At 30 September 2010	145,916	2,768,347	525,034	488,284	-	3,927,581

Garbol Limited

Note forming part of the financial statements
for the year ended 30 September 2010 (*continued*)

12 Tangible fixed assets (*continued*)

Group (*continued*)

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Leasehold investment properties £	Total £
<i>Net book value</i>						
At 30 September 2010	481,297	1,850,817	284,311	112,839	500,000	3,229,264
At 30 September 2009	496,977	1,715,678	227,551	104,974	500,000	3,045,180

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

12 Tangible fixed assets (*continued*)

The group's investment properties are stated above at their open market value. The directors have given consideration to the carrying value of these properties at the year end, and do not believe that there is a material difference between their original cost and their open market value as at 30 September 2009.

13 Fixed asset investments

Group

	Joint ventures £
<i>Cost</i>	
At 1 October 2009	500
Reclassification of joint venture as a subsidiary	(500)
	<hr/>
At 30 September 2010	-
	<hr/>
<i>Share of retained profits</i>	
At 1 October 2009	(702)
Profit for the year	16,160
Reclassification of joint venture as a subsidiary	(15,458)
	<hr/>
At 30 September 2010	-
	<hr/>
<i>Net book value</i>	
At 30 September 2010	-
	<hr/>
At 30 September 2009	(202)
	<hr/>

Company

	Group undertakings £
<i>Cost</i>	
At 1 October 2009 (as previously stated)	17,422,800
Transfers from goodwill (see below)	4,571,547
	<hr/>
At 1 October 2009 and 30 September 2010	21,994,347
	<hr/>

On 30 September 2008, the directors of Garbol Limited agreed to a group reorganisation, whereby Garbol Limited acquired the entire share capital of Tamdown Group Limited at its net book value from Bolgar Limited, a subsidiary. The consideration for this investment was £15,973,137.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (continued)

13 Fixed asset investments (continued)

The cost of the company's investment in Bolgar Limited reflected the underlying fair value of Bolgar Limited subgroup's net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in Bolgar Limited fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 required that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors considered that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account and it was instead re-allocated to the cost of goodwill in Tamdown Group Limited. The effect of this departure is to increase the holding company's retained profit by £4,571,547 (2009 - £4,571,547), and to increase the value of the company's investment in Tamdown Group Limited by £4,571,547 (2009 - £4,571,547). The group accounts are not affected by this transfer.

The directors consider that a more appropriate treatment is to include this amount within the cost of investment in Tamdown Group Limited and therefore this amount has been transferred from goodwill as a prior year adjustment.

Subsidiary undertakings

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%	Dormant
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
Environmental Asbestos Solutions Limited*	100%	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 2010 and their results are included in these consolidated financial statements.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

14 Stocks

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Finished goods and goods for resale	-	882	-	-
Long-term contract balances	105,173	357,742	-	-
	<u>105,173</u>	<u>358,624</u>	<u>-</u>	<u>-</u>
	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Long-term contract balances comprise the following				
Net costs less foreseeable losses	105,173	357,742	-	-
	<u>105,173</u>	<u>357,742</u>	<u>-</u>	<u>-</u>

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

15 Debtors

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade debtors	12,109,203	9,891,971	-	-
Directors' loan accounts	-	200,000	-	-
Other debtors	240,286	222,833	12,000	12,000
Prepayments and accrued income	159,931	205,184	-	-
Amounts owed by Joint Venture	-	138,177	-	-
	<u>12,509,420</u>	<u>10,658,165</u>	<u>12,000</u>	<u>12,000</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 2010 (*continued*)

16 Current asset investments

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Listed investments	86,922	26,876	-	-
Listed investments Market value	97,022	54,186	-	-

17 Creditors' amounts falling due within one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Bank loans (note 18)	984,043	2,887,206	976,990	2,887,206
Trade creditors	12,189,887	10,668,440	-	-
Amounts owed to group undertakings	-	-	10,383,536	9,152,506
Corporation tax	586,040	248,810	-	-
Other taxation and social security	624,753	433,879	-	-
Amounts owed to Joint Venture	-	35,468	-	-
Other creditors	356,950	-	356,950	-
Accruals and deferred income	1,542,237	996,507	31,512	22,596
	16,283,910	15,270,310	11,748,988	12,062,308

Garbol Limited

Notes forming part of the financial statements
for the year ended 30 September 2010 (*continued*)

18 Creditors: amounts falling due after more than one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Bank loans	4,567,190	4,868,678	4,567,190	4,868,678
Maturity of debt				
			Loans 2010 £	Loans 2009 £
In one year or less, or on demand			984,043	2,887,206
In more than one year but not more than two years			1,226,990	4,743,052
In more than two years but not more than five years			3,340,200	125,626
			4,567,190	4,868,678

The bank loan is secured by fixed and floating charge over the assets of the group (see note 23)

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

19 Provisions for liabilities

Group

	Deferred taxation £	Other provisions £	Total £
At 1 October 2009	114,200	74,000	188,200
Charged to profit and loss account	8,591	-	8,591
Utilised in year	-	(33,275)	(33,275)
Released unused	-	(40,725)	(40,725)
Undertaking acquired	2,742	-	2,742
	<hr/>	<hr/>	<hr/>
At 30 September 2010	125,533	-	125,533
	<hr/>	<hr/>	<hr/>

Deferred taxation

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Accelerated capital allowances	125,533	114,200	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Other provisions

This provision was in respect of a claim against the group as a result of an accident involving a former employee, and was settled during the year

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

20 Share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
Ordinary A shares of £1 each	386,715	386,715
Ordinary B shares of £1 each	257,807	257,807
Ordinary C shares of £1 each	63,346	63,346
7% Cumulative preference shares of £1 each	4,734,027	4,734,027
Non-voting ordinary shares of £1 each	47,289	47,289
	<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.

21 Reserves

Group

	Profit and loss account £
At 1 October 2009	1,307,410
Profit for the year	690,022
Dividends	(700,000)
	<u>1,297,432</u>
At 30 September 2010	

Company

	Profit and loss account £
At 1 October 2009	(413,823)
Profit for the year	1,314,808
Dividends	(700,000)
	<u>200,985</u>
At 30 September 2010	

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

22 Reconciliation of movements in shareholders' funds

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Profit/(loss) for the year	690,022	(132,099)	1,314,808	665,925
Dividends	(700,000)	(350,000)	(700,000)	(350,000)
Net (deductions from)/additions to shareholders' funds	(9,978)	(482,099)	614,808	315,925
Opening shareholders' funds	6,796,594	7,278,693	5,075,361	4,759,436
Closing shareholders' funds	6,786,616	6,796,594	5,690,169	5,075,361

23 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 and Tamdown Plant Hire Limited, jointly with the other group companies and severally. At 30 September 2010 the bank debts covered by this guarantee amounted to £5,609,375 (2009 - £7,803,125)

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

24 Commitments under operating leases

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

	Land and buildings 2010 £	Land and buildings 2009 £
Operating leases which expire		
Within one year	-	20,580

25 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 2010 the company's ultimate controlling party was Michael Morris by virtue of his shareholding in the company

Environmental Asbestos Solutions Limited

Prior to its acquisition as a subsidiary the Group entered into the following transactions with Environmental Asbestos Solutions Limited. At 30 September 2009 there was an outstanding loan of £24,906 due from Environmental Asbestos Solutions Limited to Tamdown Group Limited, as well as a trading balance of £113,271 receivable from the same company. Tamdown Regeneration Limited, a group company, owed Environmental Asbestos Solutions Limited £35,468.

During the year, Environmental Asbestos Solutions Limited made sales totalling £69,295 (2009 - £138,881) to Tamdown Regeneration Limited, a group company, and also made purchases of £nil (2009 - £5,101) from Tamdown Group Limited.

Transactions with directors

During the prior year the Group loaned £200,000 to Mike Morris, a director of the company, under a formal loan agreement. Interest is charged at a rate of 0.5% above the Bank of England base rate. The total loan, plus accrued interest of £265, was repaid in December 2009.

The group also paid the following dividends to directors and amounts were owing to them at the year end as follows:

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

25 Related party disclosures (*continued*)

	Dividend 2010 £	Dividend 2009 £	Amounts owed to related parties 2010 £	Amounts owed to related parties 2009 £
P D Holliday	58,720	29,360	29,360	-
M T Morris	365,582	182,791	182,791	-
K Breen	243,718	121,859	121,859	-
D R Hillman	5,562	2,781	2,781	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Other

At the balance sheet date, the group owed £8,340 (2009 - £1,265) to Garbol Warehousing Limited, a company connected by common directors. The group also paid dividends of £2,780 (2009 - £2,780) to Garbol Warehousing Limited during the year.

26 Capital commitments

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Contracted but not provided for	216,045	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	2010 £	2009 £
Operating profit	1,811,756	946,385
Amortisation of intangible fixed assets	1,557,342	2,083,684
Depreciation of tangible fixed assets	533,092	638,219
Profit on sale of tangible fixed assets	(20,769)	(17,388)
Decrease in provisions	(74,000)	(213,307)
Decrease/(increase) in stocks	313,851	(121,047)
(Increase)/decrease in debtors	(1,338,958)	1,719,933
Increase in creditors	1,970,394	1,574,714
	<u> </u>	<u> </u>
Net cash inflow from operating activities	4,752,708	6,611,193
	<u> </u>	<u> </u>

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

28 Analysis of cash flows for headings netted in the cash flow statement

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest received	28,800	96,252
Interest paid bank loans	(239,709)	(305,280)
	<u>(210,909)</u>	<u>(209,028)</u>
Taxation		
Corporation tax paid	(644,651)	(915,351)
	<u>(644,651)</u>	<u>(915,351)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(841,570)	(114,396)
Receipts from sale of tangible fixed assets	171,147	131,159
	<u>(670,423)</u>	<u>16,763</u>
Acquisitions and disposals		
Purchase of subsidiary undertaking	(25,000)	-
Cash acquired with subsidiary	43,409	-
	<u>18,409</u>	<u>-</u>
Management of liquid resources		
Purchase of current asset investments	(65,007)	(33,194)
Sale of current asset investments	4,961	14,112
	<u>(60,046)</u>	<u>(19,082)</u>
Financing		
New loans	5,609,375	-
Loans repaid	(7,755,884)	(2,650,000)
	<u>(2,146,509)</u>	<u>(2,650,000)</u>

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

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

	2010 £	2009 £
Increase in cash	338,579	2,484,495
Cash outflow from changes in debt	2,146,509	2,650,000
Cash outflow from changes in liquid resources	60,046	19,082
Movement in net funds/(debt) resulting from cash flows	2,545,134	5,153,577
Profit on sale of current asset investments	-	7,794
Loan arrangement fee	65,195	(48,461)
Movement in net funds/(debt)	2,610,329	5,112,910
Opening net debt	(1,445,500)	(6,558,410)
Closing net funds/(debt)	1,164,829	(1,445,500)

30 Analysis of net funds/(debt)

	At 1 October 2009 £	Cash flow £	Other non- cash items £	At 30 September 2010 £
Cash at bank and in hand	6,283,508	345,632	-	6,629,140
Bank overdrafts	-	(7,053)	-	(7,053)
		338,579		
Debt due within one year	(2,887,206)	1,887,206	23,010	(976,990)
Debt due after one year	(4,868,678)	259,303	42,185	(4,567,190)
Current asset investments	26,876	60,046	-	86,922
Total	(1,445,500)	2,545,134	65,195	1,164,829

31 Major non-cash transactions

During the prior year the group acquired investment properties from a customer. The consideration paid for these properties was cash of £33,868, and the release from £466,132 of trading related debts.

Garbol Limited

Notes forming part of the financial statements for the year ended 30 September 2010 (*continued*)

32 Acquisitions

Acquisition of Environmental Asbestos Solutions Limited

On 11 June 2010 the company acquired the remaining 50% of its joint venture Environmental Asbestos Solutions Limited, accordingly it has been treated as a subsidiary from that date

In calculating the goodwill arising on acquisition, the fair value of the net assets of Environmental Asbestos Solutions Limited have been assessed. There was no difference between the fair value and the book value of the net assets at that date