# GB Group Holdings Limited

Directors' Report and Financial Statements

Registered number 06038345

18-month period ended 31 December 2013

# Contents

# Company Information

| | | |
|---|---|---|
| **Directors:** | M J Smout | *Chairman* |
| | M R Lethaby | *Executive* |
| | A Hall | *Executive* |
| | P Smyth | *Executive* |
| | D J Gleeson | *Non-Executive* |
| **Secretary:** | A T W Ryan | |

**Registered number:** 06038345 England and Wales

**Registered office:**
Grosvenor House
4-7 Station Road
Sunbury on Thames
Surrey
TW16 6SB

| | |
|---|---|
| Telephone number: | 01932 733900 |
| Fax number: | 01932 733901 |
| Web site: | www.gbgroup.co.uk |

**Auditor:**
Deloitte LLP
Global House
High Street
Crawley
West Sussex
RH10 1DL

**Bankers:**
Lloyds Bank
4th Floor
25 Gresham Street
London
EC2V 7HN

**Solicitors:**
Speechly Bircham LLP
6 New Street Square
London
EC4A 3LX

# Chairman's Statement

I am pleased to present the GB Group's trading results for the eighteen months to 31 December 2013. This period included some of the worst market conditions I have experienced over the past forty years. The Group responded with determination and achieved a profit of £599k before tax and amortisation of goodwill. Turnover was lower during the first half of the reporting period but increased substantially in the last six months as clients' funding of contracts became easier. We are now trading at an annual turnover of approximately £200m with an order book of £330m, our highest volume of secured work for five years.

Growing turnover generated a considerable increase in gross profit which rose from £8.5 m in June 2012 to a 12-month average of £9.4m in 2013. Our gross profit margin rose from 5.5% to 6.7%. Our cash position at the end of the reporting period was healthy with a balance of £13.7 million, a substantial increase since June 2012. Including debt finance secured against property developments net debt was £7.4m, resulting in net cash of £6.3m, an increase of over 30% since June 2012.

This improvement has been achieved by the Group's strategy of selective sector specialisms through which we differentiate our offer from that of our competitors. Our well-established care home and student accommodation specialism's continued to perform strongly. Recently, we have also been able to capitalise on the increased volume of activity in the residential sector. Because of our size and structure - and our key principle of employing the best people - we can offer an exceptional degree of personal, high-level support to customers throughout the lifespan of a project. Even at the pre-tender stage, it is normal practice for a senior sector specialist to work closely with a prospective customer to develop the project specification. Thus, we can add value and enhance the long-term viability of projects from the outset.

The effectiveness of our student accommodation specialism was demonstrated when we secured a £34-million contract for a 717-bedroom student accommodation scheme at Kings College, London. This will draw on expertise from our Energy Solutions business to incorporate a range of environmental features and achieve the BREEAM 'Outstanding' rating. In addition, our IT subsidiary, Discovery Business Solutions was awarded a separate contract to install advanced IT, telecommunications and audio-visual facilities. This demonstrates how our strategy of investing in the development of our subsidiaries is strengthening their capacity to compete independently and establish their own distinctive identities within the market.

In the final two months of the reporting period, our residential property specialism secured two projects worth over £50m in Mill Hill, North London and on the Greenwich Peninsula.

Our development business, GB Development Solutions, increased in maturity with five live projects in 2013. These included two pre-sold care homes, a mixed-use scheme and two hotels. The latter demonstrate the growth of our hotel sector specialism. We shall retain ownership of one of the hotels, a £34m development close to the new Leeds Arena and Leeds Metropolitan University's conference facility. It is due to open before Christmas 2015 and will be a core-brand Hilton hotel. The other hotel, a 125 bedroom Premier Inn, in the centre of Sunderland, was pre-sold to the Diageo pension fund before work began on site.

In the course of the year, the Group reduced investment in its Energy Solutions business. This was in response to the changes in Government policy which have reduced opportunities in the market.

Reflecting the wider economic recovery, the bulk of our secured work has been in the south of England. We have, nevertheless, continued to attract new business in other regions. A key factor has been the framework partnerships we have nurtured, including those with Northumberland County Council, the North West Construction Hub and the YORbuild Construction Framework in Yorkshire and Humberside.

## Chairman's Statement *(continued)*

The gathering pace of new work in recent months gives cause for confidence in the Group's prospects for the year ahead. I am mindful, however, that the economic recovery is still fragile and the Group is only taking on work within its area of proven competence. I want to ensure that we continue to benefit from the recovery by adhering strictly to our four key principles of exceptional customer service, delivery of outstanding products, sustainable financial performance and employment of the best people.

Our constant aim is to Go Beyond expectations by enhancing the value of projects, right from their inception, with our sector specialisms and by delivering consistently on time and to budget. We have attracted and retained people of outstanding calibre and are committed to their ongoing professional development. They have driven our strategy steadfastly and creatively throughout the last eighteen months. We shall continue to build on that achievement and to take full advantage of the opportunities offered by a more favourable business climate.

During the year Peter Stone retired from the Board. On behalf of the Board I would like to thank him for his hard work and dedication.

Finally, on behalf of the entire Board, I want to take this opportunity to thank all our staff for their loyalty to the Group and for the commitment and tenacity they demonstrated throughout a formidably challenging period.

# Strategic Report

**Business review**

During the period covered by this report, the accounting reference date was changed to 31 December so that our reporting period would be better aligned with those of our partners and competitors. The current report, therefore, covers the eighteen-month transitional period from our previous year ended 30 June 2012.

We contended with very challenging trading conditions during the first twelve months, but a significant upturn during the final six months contributed to turnover of £211.7 million at the end of the period (2012: (12 month period): £155.6m). Approximately 95% of turnover came from construction projects undertaken by GB Building Solutions whose average monthly turnover increased by 50% from approximately £9.5 million during the twelve months to June 2013 to £14.5 million for the six months to December 2013. We expect that this higher monthly turnover will be maintained or improved throughout the year to December 2014.

Our substantially improved turnover was due to a number of new contracts secured, particularly in the South. This largely reflects the extent to which investment in our sector specialisms during the period extended our capacity to take advantage of improving conditions.

GB Development Solutions continued to generate significant turnover and profit margin, contributing £10 million to turnover and £1.0m to net profit. The latter included profits arising from three care home developments and a hotel scheme in London.

The accelerated growth of turnover was reflected in the Group's improving gross profit margin which rose from 5.5% for the year ended 30 June 2012 to 6.7% for the eighteen months to 31 December 2013. Administrative expenses (excluding amortisation of goodwill) rose from £7.6 million to £13.5 million, reflecting partly the extended reporting period but also expenditure on additional infrastructure and staff in line with increased trading and expected further growth in turnover.

Goodwill of £10 million, which arose from the Group's acquisition of MJ Gleeson's building division in 2006, is being amortised at the rate of approximately £1.1 million per annum and is due to be fully amortised by June 2015. During the eighteen months to December 2013, goodwill of £1.7 million was amortised.

The Group's operating profit before goodwill amortisation was £599,114 (2012: (12 month period): £939,381).

Our cash balance at the end of the reporting period is a strong reflection of increased turnover. At December 2013 the cash balance was £13.7 million. In addition, a £3.0m overdraft facility was provided during the reporting period by Lloyds, our new bankers. As a minimal amount of the overdraft had been drawn down at the end of the period, cash available was more than double that in June 2012. This healthy cash position should be maintained during 2014 through the increase in turnover from construction projects and a net return of equity and profits from our Development Solutions business.

Net working capital (net current assets, including cash, trade debtors, amounts recoverable on contracts, trade creditors and accruals) increased during the reporting period. This was largely due to the significant increase in construction turnover during the final six months from £9.5m per month to £14.5m per month.

In addition, long-term loan finance increased from £2.3m to £7.4m in the eighteen months to December 2013 and is expected to increase further during 2014. An increase in Group stock and work in progress and loan finance corresponded with higher investment in GB Development Solutions, due mainly to the start of the construction phase of the Hilton Leeds Arena hotel in late 2013. At December 2013 the project was being financed with loan funding of £4.1m from Leeds Council and bank loan funding of £0.2m from the Co-operative Bank.

Our strong cash position and finance facilities should enhance operational efficiency as we work with our supply chain and contractors to achieve timely delivery of the growing number of projects on our order book of £330m. A continuation of this healthy order book is foreseen during 2014: over £150m of 2014 annual turnover had already been secured by March 2014 and we will secure substantially more annual turnover during the quarter to June 2014.

## Strategic Report *(continued)*

**Results and dividends**

The loss after tax for the period was £1.1 million (2012: loss £0.3m). No dividend was declared or paid in the period (2012: £nil). The results for the period and the Group's financial position at the end of the period are shown on the attached financial statements.

**Key performance indicators**

The Group uses, amongst others, the following key performance indicators to measure performance of its operations:

| | **Eighteen months ended 31 Dec 2013** | Year ended 30 June 2012 | Growth/ (Decrease) % |
|---|---|---|---|
| Turnover (£m) | **211.74** | 155.63 | 36 |
| Operating profit before goodwill amortisation (£m) | **0.60** | 0.94 | (36) |
| Pre-tax loss (£m) | **(1.20)** | (0.30) | (300) |
| Net assets (£m) | **4.58** | 5.73 | (20) |
| Cash at bank (£m) | **13.71** | 7.11 | 93 |
| Forward order book (£m) | **330.00** | 208.00 | 59 |
| Gross profit percentage | **6.7%** | 5.5% | 22 |
| Accident frequency rate | **0.04** | 0.19 | (79) |

**Financial position and liquidity**

The financial position of the Group is presented in the balance sheet. The total shareholder's funds at 31 December 2013 were £4.6m (30 June 2012: £5.7m).

At 31 December 2013 the Group had net assets of £4.6m (30 June 2012: £5.7m) and cash of £13.7m (30 June 2012: £7.1m). Its net current assets were £7.0m (30 June 2012: £0.5m). This is a healthy increase in working capital and available cash resources. The Group's going concern status is discussed further in the Directors' Report.

*Risk management*

GB Group Holdings Limited has rigorously reviewed the Group's exposure to risk and established a risk management process which covers the full range of its operations from decision to bid and initial tender to procurement, mobilisation, build, delivery and handover. Each month, the Board thoroughly assesses monthly business reports with the operational management team. It monitors performance against the key performance indicators and reviews whether control measures need to be improved. Monthly meetings are held when key business decisions are being taken and the Board is closely involved in the submission of tenders and agreement of contracts.

**Principal business risks and uncertainties**

The key business risks and uncertainties affecting the Group and the arrangements for controlling them are as follows.

*Economic and market cycles and volatility*

The Group has had to respond to the impact of uncertain market conditions on the availability of project funding and demand for speculative developments, especially during the first half of the reporting period. The Group has addressed this by actively extending its capacity to operate in new areas and maintaining diversity in its business portfolio. The Board has established procedures for monthly monitoring of workstreams. This has helped us to continue maintaining a balance between repeat business within a range of long-term framework agreements and new opportunities in our specialist sectors, notably care homes and student accommodation. Our specialism in residential developments enabled us to take advantage of the upturn in the housing market during the latter part of the reporting period.

## Strategic Report *(continued)*

*Political and regulatory risk*
To mitigate the risk of changes in statutory obligations or Government policy disrupting the Group's business, we actively seek to keep abreast of emerging proposals.

*Management succession risk*
Failure to plan for succession to key roles could compromise management continuity and operational and financial performance. To address this, the Group's businesses have succession plans in place and these are regularly reviewed by the Board. Development of the Group's senior managers is co-ordinated by the Group's People Team to maximise their capacity to assume other senior roles at short notice. The Group employs the services of executive search companies to introduce talented executives from other companies. An incentive scheme has also been established to encourage staff to recommend promising individuals to the Group.

*Capability risk*
The Group recognises the vital importance to its business of recruiting, developing and retaining the most able staff. It monitors staff turnover and regularly reviews pay and conditions to ensure they reflect prevailing market conditions. Learning and development for all staff is strongly promoted. Personal development programmes are agreed in the light of regular performance appraisals. As well as job-specific technical training, the Group offers management and leadership development programmes and sponsors undergraduate study. A consultancy has been engaged to provide advanced management training for the Senior Management Team.

*Risk of unethical business practice*
The Group is determined to avoid the reputational and financial damage that would be caused by any instances of bribery, corruption or unfair competition. It is fully committed to compliance with its obligations under UK and EU competition law to preserve free, fair and efficient competition for the benefit of all companies operating in the industry. All the Group's businesses are required to sign up to its Competition Compliance Policy and its Business Principles and Anti-Bribery and Corruption Policy. Relevant training is provided to all staff.

*Failure of IT systems*
The reliability of its IT systems is essential to the continuity of the Group's business. The Finance Director has overall responsibility and is supported by staff fully qualified in system support, disaster management, disaster recovery, and data back-up. The Group is confident that all its key business systems are reliable and, in the event of a serious incident, can be recovered.

**Principal financial risks and uncertainties**
The Group's operations expose it to the following financial risks and uncertainities.

*Credit risk*
The Group's principal financial risk is failure to recover money due under contracts. This is controlled by rigorous review of our clients and of our supply chain and by confirming funding arrangements before contracts are finalised. Where judged appropriate, further control is applied by conducting a due-diligence exercise.

The Group employs the services of a national credit agency monitoring service. Any notifications of concern are reviewed by the finance team. If necessary, parent company guarantees, bank guarantees, third-party bonds and enhanced retentions are specified.

Early identification and resolution of payment problems are aided by high-level reviews of project progress and by ensuring proper certification of works completed. Major variations to contracts are subject to thorough appraisal before being agreed.

*Contract risk*
The Group is rigorous in minimising the financial and reputational risk that would arise from failure to meet its contractual obligations. It does so by ensuring that in-house legal advice is sought by teams tendering for contracts so that no obligations are incurred without reasonable expectation of being able to fulfil them. When contracts are agreed, the Board closely monitors progress so that problems can quickly be rectified if not anticipated.

## Strategic Report *(continued)*

*Insurance risk*
A central element of the Group's strategic risk management programme is a regular review with its insurers of insurance risk and the robustness of existing insurance arrangements. In the light of the most recent reviews, the Group is confident that those arrangements are fully fit for purpose. The Group's insurers include Axa, Aspen and Mitsui. Any changes in standard insurance provisions are reviewed at a senior level and appropriate advice is taken from the Group's brokers, JLT Speciality Limited.

*Loss of a major site*
Continuity plans are in place to manage the impact of the loss of a major site and the Group is confident that its insurance arrangements cover the financial consequences.

*Risk of overspending initial cost estimates for major projects*
The Group recognises the risk of exceeding estimates, overrunning dead-lines or being unable to meet design specifications. This is mitigated through rigorous procedures for review of major projects by the Board at all stages.

*Availability of bonding*
The Group has in place the full range of facilities from its panel of surety bond providers and its bankers, to satisfy current and projected bonding requirements.

*Client and subcontractor failure*
The Group relies heavily on the financial standing of its clients and subcontractors. It maintains a list of preferred subcontractors and suppliers whose financial standing, like that of clients, is thoroughly reviewed at the tender stage of all projects and appropriately monitored thereafter.

**Health and Safety**
The Group attaches the highest value to:

- the health, safety and welfare of all employees and anyone who may be affected by its business activities;
- changing behaviour and raising individuals' personal standards to embed its health and safety culture;
- ensuring a well-trained and competent workforce which can be relied on to carry out projects safely;
- taking all reasonably practicable steps to prevent accidents, injuries and damage to health; and
- working with those in its supply chain so that they share its values and reinforce its health and safety performance.

The GB Group has thorough health and safety policies and procedures in place. These are integral to the way in which all its activities are managed. The Board regularly reviews performance reports generated by an incident-tracking system which accurately monitors performance against agreed targets.

A health, safety and environmental system is being implemented across the Group. This complies fully with statutory obligations and the relevant standards, including OHSAS18001 and ISO14001. The award-winning 'WIPE out accidents' campaign continues to reinforce the Group's values and help reduce accidents across the business.

*Corporate Social Responsibility*
Corporate Social Responsibility (CSR) is central to the Group's values and it is committed to managing the social, environmental and economic impact of all its activities as follows.

*Environment*
The Group is sensitive to the potential environmental consequences of its activities, especially its core construction business. It is dedicated to continuous improvement in minimising negative impact, including the effects of carbon emissions, and a Carbon Reduction Committee has been set up to oversee the promotion of sustainable construction solutions and other measures.

All construction works are carried out in accordance with the Group's environmental policy and ISO14001-accredited environmental management system. An environmental risk assessment is carried out at the bid stage of every project so that suitable risk management measures can be designed at the outset. Where necessary, external bodies are commissioned to ensure that those measures reflect up-to-date knowledge and best practice.

## Strategic Report *(continued)*

*Waste Management*
A waste management plan is formulated, in partnership with those working in the supply chain, on all the sites where the Group is operating. This plan covers reduction, re-use, recycling and disposal of waste.

Through design and careful selection of materials, building systems and construction techniques, the Group has reduced the volume of waste generated by its activities. Wherever possible, waste is recycled to minimise disposal to landfill. The Building Research Establishment's SMARTWaste system is used on all projects.

*Sustainability*
The Group strongly believes that buildings should enhance and add value to their surroundings and that adverse environmental impact should be minimised. GB Energy Solutions Limited is continuing to help the Group focus on delivering sustainable buildings across all its market sectors.

By order of the Board

ATW Ryan

ATW Ryan
Company Secretary
GB Group Holdings Limited
Grosvenor House
4-7 Station Road
Sunbury on Thames
Surrey TW16 6SB

26 June 2014

# Director's Report

The Directors present their annual report and the audited financial statements for the eighteen-month period ended 31 December 2013.

**Principal activities**
GB Group Holdings Limited operates across England and its principal activities are construction, property development and related services through its subsidiaries: GB Building Solutions Limited, GB Development Solutions Limited, GB Energy Solutions Limited, GB Asset Management Solutions Limited, Discovery Business Solutions Limited and Aston Care Solutions Limited.

During the period the accounting reference date was changed to 31 December so that our reporting period will be better aligned with the year-ends of our partners and competitors and the resourcing requirements of the Group and of our auditors. The current report, therefore, covers the eighteen-month transitional period from our previous reporting year ended on 30 June 2012.

**Going concern**
The Strategic Report (see pages 5-9) summarises how the Group managed its business activities and financial position during the reporting period. It also describes the various business and financial risks that have been identified and the measures in place to manage them effectively.

The Group's strong trading and cash position at the end of the reporting period, as discussed in the Strategic Report, reflects a long-term business strategy based on developing relationships with a wide range of customers across the regions and in different sectors, thus securing a high proportion of repeat business. At the same time, the Group has built the capacity to attract new customers and rapidly take advantage of improving market conditions. It has secured increased financial resources to meet the demands of a growing order book.

The Directors are confident that the Group has demonstrated that it can manage business and financial risks successfully in challenging conditions and is well placed to continue doing so. In assessing its ability to continue as a going concern, the Board reviews forecasts of the Group's borrowing requirements compared to available bank facilities. The forecasts are based on the latest available budgets and business plans.

The Directors confirm that, after due consideration, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties in relation to going concern of which they are aware. For this reason, they continue to adopt the going-concern basis in preparing the financial statements. Further details can be found in the statement of accounting policies in the financial statements.

**Directors**
The Directors who held office during the reporting period and up to the date of this report were as follows:

MJ Smout
MR Lethaby
A Hall
P Smyth
DJ Gleeson
PC Stone (resigned 17 January 2013)

**Directors' indemnities**
The Group made no qualifying third-party indemnity provisions for the benefit of its Directors during the reporting period.

# Director's Report *(continued)*

**Employment policies**

The Group values its staff and appreciates their talent and dedication to providing the best possible service to our customers.

Reflecting the Board's commitment to open, regular communication with all staff, Directors hold quarterly business updates and the Group intranet gives daily updates on key issues. Frank, open dialogue is valued and staff are encouraged to raise issues of concern.

The Group values diversity and promotes inclusion. Applications from suitably qualified people with disabilities are welcomed. Those who become disabled while in the Group's employment are guaranteed reasonable adjustments to enable them to continue in their jobs. If reasonable adjustments cannot be made, every effort is made to identify suitable alternative positions.

**Directors' responsibilities statement**

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 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 of the profit or loss 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 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; 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 the financial statements comply with the Companies Act. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Dividends**

The Directors did not recommend the payment of a final dividend (2012: no dividend).

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, Deloitte LLP was appointed as auditor on 20 February 2014.

Deloitte LLP has expressed its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an annual general meeting.

## Director's Report *(continued)*

**Independent auditor and disclosure of information to the independent auditor**

In the case of each of the persons who are Directors of the Group at the date when this report was approved:

- so far as each Director is aware, there is no relevant audit information (that is, information needed by the Company's auditor in connection with preparing its report) of which the Company's auditor is unaware; and

- each Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

By order of the Board

ATW Ryan

**ATW Ryan**
Company Secretary
GB Group Holdings Limited
Grosvenor House
4-7 Station Road
Sunbury on Thames
Surrey TW16 6SB

26 June 2014

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GB GROUP HOLDINGS LIMITED

We have audited the financial statements of GB Group Holdings Limited for the period ended 31 December 2013 which comprise the consolidated Profit and loss account, the consolidated and parent company Balance Sheet's, the consolidated cashflow statement and the related notes 1 to 25. 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 auditor

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the period 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 Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GB GROUP HOLDINGS LIMITED**

*(continued)*

**Matters on which we are required to report by exception**

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

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

Ian Smith

Ian Smith (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley
United Kingdom

26 June 2014

## Consolidated Profit and Loss account

***for the 18 month period ended 31 December 2013***

| | Note | **18 month Period ended 31 Dec 2013 £** | Year ended 30 June 2012 £ |
|---|---|---|---|
| **Turnover** | 2 | **211,743,950** | 155,630,490 |
| Cost of sales | | **(197,603,086)** | (147,138,465) |
| **Gross profit** | | **14,140,864** | 8,492,025 |
| Administrative expenses (including goodwill) | | **(15,234,419)** | (8,681,090) |

| | **18 month Period ended 31 Dec 2013** | Year ended 30 June 2012 |
|---|---|---|
| **Operating profit before goodwill amortisation** | **599,114** | 939,381 |
| Amortisation of goodwill | **(1,692,669)** | (1,128,446) |
| **Operating loss after goodwill amortisation** | **(1,093,555)** | (189,065) |

| | Note | **18 month Period ended 31 Dec 2013 £** | Year ended 30 June 2012 £ |
|---|---|---|---|
| **Operating loss** | 3 | **(1,093,555)** | (189,065) |
| Share of operating loss in joint venture | | - | (217) |
| Share of operating loss in associated company | | **(139,017)** | (83,811) |
| **Loss on ordinary activities before finance charges** | | **(1,232,572)** | (273,093) |
| Interest receivable and similar income | 5 | **31,281** | 30,668 |
| Interest payable and similar charges | 6 | **(45,420)** | (17,776) |
| **Loss on ordinary activities before taxation** | 3 | **(1,246,711)** | (260,201) |
| Tax credit / (charge) on loss on ordinary activities | 7 | **161,779** | (45,635) |
| **Loss for the financial period** | 3 | **(1,084,932)** | (305,836) |
| **Attributable to:** | | | |
| Equity holders of GB Group Holdings Limited | | **(1,084,932)** | (305,836) |
| Minority Interest | 10 | - | - |
| | | **(1,084,932)** | (305,836) |

There are no recognised gains or losses other than those included in the profit and loss account above, so no separate statement of total recognised gains and losses has been presented.

The notes on pages 19 to 35 form part of these financial statements.

There is no difference between the result for the period and the historical cost equivalents.

All the results derive from continuing operations.

# Consolidated Balance sheet

*as at 31 December 2013*

| | Note | 31 Dec 2013 £ | 31 Dec 2013 £ | 30 June 2012 £ | 30 June 2012 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *8* | | **1,957,827** | | 3,650,496 |
| Tangible assets | *9* | | **1,140,121** | | 1,150,863 |
| Investments - joint venture | *10* | | **-** | | 529,620 |
| Investments - associates | *10* | | **53,704** | | 198,721 |
| Investments - other | *10* | | **10** | | - |
| | | | **3,151,662** | | 5,529,700 |
| **Current assets** | | | | | |
| Debtors: due within one year | *11* | **44,063,447** | | 24,835,387 | |
| Stock and work in progress | | **7,905,562** | | 5,446,335 | |
| Debtors: due after more than one year | *12* | **1,463,536** | | 661,790 | |
| Cash at bank | *13* | **13,705,250** | | 7,113.091 | |
| | | **67,137,795** | | 38,056,603 | |
| **Creditors:** amounts falling due within one year | *14* | **(60,162,253)** | | (37,511,976) | |
| **Net current assets** | | | **6,975,542** | | 544,627 |
| **Total assets less current liabilities** | | | **10,127,204** | | 6,074,327 |
| **Creditors:** amounts falling due after more than one year | *15* | | **(5,542,515)** | | (339,425) |
| **Net assets** | | | **4,584,689** | | 5,734,902 |
| **Capital and reserves** | | | | | |
| Called-up share capital | *17* | | **5,277,311** | | 5,269,811 |
| Own shares | *19* | | **(72,397)** | | - |
| Profit and loss account | *18* | | **(620,275)** | | 465,091 |
| **Attributable to the equity holders of GB Group Holdings Limited** | | | **4,584,639** | | 5,734,902 |
| Minority interest | *10* | | **50** | | - |
| **Total equity shareholders' funds** | *19* | | **4,584,689** | | 5,734,902 |

Notes on pages 19 to 35 form part of the financial statements.

The financial statements were approved by the Board of Directors on 26 June 2014 and were signed on its behalf by:

**MJ Smout**
*Chief Executive*

**MR Lethaby**
*Finance Director*

Company registered number: 06038345

## Company Balance sheet
*as at 31 December 2013*

| | Note | 31 Dec 2013 | | 30 June 2012 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Tangible assets | 9 | | 831,641 | | 858,576 |
| Investments | 10 | | 5,821,982 | | 5,821.982 |
| | | | 6,653,623 | | 6,680,558 |
| **Current assets** | | | | | |
| Debtors: due within one year | 11 | 304,344 | | 234,081 | |
| Stocks and work in progress | | 45,200 | | - | |
| Cash at bank | | 7,997 | | 2,607 | |
| | | 357,541 | | 236,688 | |
| **Creditors:** amounts falling due within one year | 14 | (4,854,775) | | (2,977,172) | |
| **Net current liabilities** | | | (4,497,234) | | (2,740,484) |
| **Total assets less current liabilities** | | | 2,156,389 | | 3,940.074 |
| **Creditors:** amounts falling due after more than one year | 15 | | (379,500) | | - |
| **Net assets** | | | 1,776,889 | | 3,940.074 |
| **Capital and reserves** | | | | | |
| Called up share capital | 17 | | 5,277,311 | | 5,269.811 |
| Profit and loss account | 18 | | (3,500,422) | | (1,329,737) |
| **Total equity shareholders' funds** | 19 | | 1,776,889 | | 3,940,074 |

Notes on pages 19 to 35 form part of the financial statements.

The financial statements were approved by the Board of Directors on 26 June 2014 and were signed on its behalf by:

**MJ Smout**
*Chief Executive*

**MR Lethaby**
*Finance Director*

Company registered number: 06038345

## Consolidated Cash flow statement
*for the period ended 31 December 2013*

| | Note | 18 month Period ended 31 Dec 2013 £ | £ | Year ended 30 June 2012 £ | £ |
|---|---|---|---|---|---|
| **Net cash inflow/(outflow) from operating activities** | *20* | | **1,146,932** | | (7,329,235) |
| **Returns on investments and servicing of finance** | | | | | |
| Interest received and similar income | | **31,281** | | 30,668 | |
| Interest paid and similar charges | | **(45,420)** | | (17,776) | |
| | | | **(14,139)** | | 12,892 |
| **Taxation** | | | | | |
| Corporation tax received / (paid) | | | **12,267** | | (24,750) |
| **Capital expenditure and financial investment** | | | | | |
| Purchase of tangible fixed assets | *9* | **(200,041)** | | (139,036) | |
| Issue of shares | *19* | **7,500** | | - | |
| Investment - loan from / (to) joint venture | *10* | **529,787** | | (529,787) | |
| Investment – purchase of shares in Caspan Limited | *10* | **(10)** | | - | |
| Short-term loan from / (to) associate | *10* | **6,000** | | (56,000) | |
| | | | **343,236** | | (724,823) |
| **Acquisitions and disposals** | | | | | |
| Acquisition of shares in joint venture | *10* | - | | (50) | |
| | | | - | | (50) |
| **Cash inflow/(outflow) before use of liquid resources and financing** | | | **1,488,296** | | (8,065,966) |
| **Financing** | | | | | |
| Bank loan | | | **1,000,500** | | (55,250) |
| Other loan | | | **4,083,903** | | - |
| **Increase / (decrease) in cash during the period** | | | **6,572,699** | | (8,121,216) |

**Reconciliation of net cash flow to movement in net funds**

| | Note | £ | £ |
|---|---|---|---|
| Increase / (decrease) in cash | | **6,572,699** | (8,121,216) |
| Movement in loans | *21* | **(5,084,403)** | 55,250 |
| **Movement in net funds in the period** | | **1,488,296** | (8,065,966) |
| **Cash, net of debt 1 July 2012** | | **4,771,091** | 12,837,057 |
| **Cash, net of debt 31 December 2013** | *21* | **6,259,387** | 4,771,091 |

Notes on pages 19 to 35 form part of the financial statements.

# Notes *(forming part of the financial statements)*

## 1 Accounting policies

### Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable UK Accounting Standards, and under the historical cost accounting rules, modified to include the revaluation of land and buildings. The following accounting policies have been applied consistently in the current and preceding periods.

### Going concern

The Group's strong position at the end of the reporting period, as discussed in the Strategic Report, reflects a long-term business strategy based on developing relationships with a wide range of customers across the regions and in different sectors, thus securing a high proportion of repeat business. At the same time, the Group has built the capacity to attract new customers and rapidly take advantage of improving market conditions. It has secured increased financial resources to meet the demands of a growing order book.

The Directors are confident that the Group has demonstrated that it can manage business and financial risks successfully in challenging conditions and is well placed to continue doing so. In assessing its ability to continue as a going concern, the Board reviews forecasts of the Group's borrowing requirements compared to available bank facilities. The forecasts are based on the latest available budgets and business plans.

At the date of these financial statements the Directors have carried out a detailed and comprehensive review of the business and its future prospects. In particular, they have considered the forecast future performance and anticipated cash flows. In the opinion of the Directors, the Group has adequate resources to be able to continue trading. Consequently the financial statements are presented on the going-concern basis.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiary undertakings, made up to 31 December 2013.

The merger method of accounting was adopted after a business reorganisation in 2006. Under this method, the results of the Group have been brought in to the consolidated financial statements from 1 July 2006, the beginning of the financial year before which the combination occurred.

For subsequent acquisitions the acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition up to the date of disposal.

Under Section 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company recorded a loss for the period of £2,170,685 (2012: (12 month period): a loss of £1,344,041).

The results, assets and liabilities of GB Group Holdings Limited's associate are incorporated in the financial statements using the equity method of accounting. Investments in associates are initially carried in the balance sheet at cost and adjusted by changes in the Group's share of the net assets of the associate and joint venture, less any impairment in the value of individual investments.

THI Riverside was consolidated as a subsidiary during the year.

### Turnover

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts as below.

Revenue from development sales and land is recognised when transactions are unconditionally exchanged or for contracts which involve construction in accordance with the Group's accounting policy on construction contracts as below.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

**Construction Contracts**

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date and profit is that estimated to reflect fairly the profit arising up to that date.

The principal method used to recognise the stage of completion of a contract is the percentage complete based on cost.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**Pensions**

The Group operates a defined contribution pension scheme for staff and Directors. The pension costs for the scheme represent contributions payable by the Group for the period. Unpaid contributions at the end of the period are included within other creditors and amounted to £77,092 (2012: £67,721).

**Taxation**

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences in the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences in the treatment of certain items for taxation and accounting purposes which have arisen but not been reversed by the balance-sheet date, except as otherwise required by FRS 19.

**Goodwill**

Purchased goodwill arising on the acquisition of a business represents the excess of the fair value of the consideration paid over the fair value of the net assets acquired. The Group eliminates goodwill arising by amortisation through the profit and loss account over the estimated economic life of the goodwill.

**Tangible fixed assets and depreciation**

Fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset evenly over its expected useful life, as follows:

- Fixtures and fittings - 5 years
- Motor vehicles - 3 to 4 years
- Computer equipment - 3 to 5 years
- 999-year long leasehold property, designated as freehold – 50 years

Freehold property is carried at valuation.

Short-term leasehold property is amortised over the unexpired period of the lease on a straight-line basis.

**Investments**

Fixed-asset investments and joint ventures are stated at cost less provision for diminution of value.

**Leasing and hire-purchase commitments**

Assets obtained under hire-purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors, net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight-line basis as incurred.

**Stock and work in progress**

Work in progress is valued at the lower of cost or estimated net realisable value. The cost of work in progress comprises materials, direct and sub-contract labour and attributable production overheads.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

**Long-term contracts**

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

**Cash and liquid resources**

Cash, for the purposes of the cash-flow statement, comprises cash at bank and deposits payable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at, or close to, the carrying values or traded in an active market.

## 2 Turnover and loss on ordinary activities before tax

The Directors regard the whole of the Group as a single class of business. All turnover arose in the United Kingdom.

## 3 Loss on ordinary activities before taxation

is stated after charging:

| | **18 month period ended 31 Dec 2013** | Year ended 30 June 2012 |
|---|---|---|
| | **£** | £ |
| Depreciation of tangible assets - owned | **210,783** | 200,825 |
| Hire of plant and machinery - payable under operating leases | **426,385** | 183,117 |
| Hire of other land and building - payable under operating leases | **307,715** | 173,703 |
| Amortisation of goodwill | **1,692,669** | 1,128,446 |
| Auditor's remuneration - audit | **57,327** | 65,000 |
| Auditor's remuneration - taxation services | **18,580** | 26,325 |
| Auditor's remuneration - other services | **59,738** | 8,475 |

## 4 Staff costs

Staff costs during the period were:

| | **18 month period ended 31 Dec 2013** | Year ended 30 June 2012 |
|---|---|---|
| | **£** | £ |
| Wages and salaries | **19,240,937** | 13,506,265 |
| Social security costs | **2,101,140** | 1,400,902 |
| Pension costs | **698,079** | 495,229 |
| | **22,040,156** | 15,402,396 |

# Notes *(continued)*

## 4 Staff Costs *(continued)*

The average monthly number of employees during the period was as follows:

| | 18 month period ended 31 Dec 2013 Number | Year ended 30 June 2012 Number |
|---|---|---|
| Management | 29 | 21 |
| Administration | 41 | 49 |
| Operations | 189 | 202 |
| | 259 | 272 |

| Directors' remuneration | 18 month period ended 31 Dec 2013 £ | Year ended 30 June 2012 £ |
|---|---|---|
| Emoluments | 1,385,625 | 864,258 |
| Pensions contributions | - | 10,000 |
| | 1,385,625 | 874,258 |

During the period one Director retired, so emoluments are now for five Directors rather than for six as in the previous year. The emoluments for the eighteen-month period, including pension contributions, of the highest paid Director were £345,184 (2012: £209,233 for 12 months). Retirement benefits are accruing to five Directors (2012: six) under money-purchase schemes.

## 5 Interest receivable and similar income

| | 18 month period ended 31 Dec 2013 £ | Year ended 30 June 2012 £ |
|---|---|---|
| Bank interest | 22,342 | 30,657 |
| Other interest | 8,939 | 11 |
| | 31,281 | 30,668 |

## 6 Interest payable and similar charges

| | 18 month period ended 31 Dec 2013 £ | Year ended 30 June 2012 £ |
|---|---|---|
| Interest on bank loan | 21,621 | 17,606 |
| Bank interest | 18,192 | - |
| Other interest | 5,607 | 170 |
| | 45,420 | 17,776 |

# Notes *(continued)*

## 7 Tax on profit on ordinary activities

The taxation (credit) / charge for the period comprised:

| | **18 month period ended 31 Dec 2013** | Year ended 30 June 2012 |
|---|---|---|
| | **£** | £ |
| *Current tax* | | |
| Current taxation | **52,522** | 10,025 |
| Adjustments in respect of prior periods | **(12,005)** | 4,160 |
| Total current tax charge | **40,517** | 14,185 |
| *Deferred taxation* | | |
| Origination and reversal of timing differences | **(210,049)** | 2,649 |
| Adjustments in respect of prior periods | **2,958** | 5,342 |
| Effect of tax rate change on opening balance | **4,795** | 23.459 |
| Total deferred tax (credit) / charge | **(202,296)** | 31,450 |
| Tax (credit) / charge on profit on ordinary activities | **(161,779)** | 45,635 |

*Factors affecting the tax (credit) / charge for the current period*

The current tax (credit) / charge for the period is higher (2012: higher) than the standard rate of corporation tax in the UK of 23.5% (2012: 25.5%). The differences are explained below.

| | **18 month period ended 31 Dec 2013** | Year ended 30 June 2012 |
|---|---|---|
| | **£** | £ |
| Loss on ordinary activities before taxation | **(1,246,711)** | (260,201) |
| Share of associates & joint venture loss before tax and consolidation adjustments | **278,910** | 202,369 |
| Group loss on ordinary activities before tax | **(967,801)** | (57,832) |
| Tax on loss on ordinary activities at standard corporation tax rate of 23.5% (2012: 25.5%) | **(227,433)** | (14,747) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **38,842** | 24,795 |
| Adjustments to tax charge in respect of previous periods | **(12,005)** | 4,160 |
| Depreciation in excess of capital allowances | **32,199** | 3,588 |
| Tax losses carried forward | **208,966** | - |
| Utilisation of tax losses | **(52)** | - |
| Other short-term timing differences | **-** | (651) |
| Small companies rate | **-** | (2,960) |
| Marginal relief | **-** | - |
| Current tax charge for the period | **40,517** | 14,185 |

# Notes *(continued)*

## 7 Tax on profit on ordinary activities *(continued)*

A deferred tax asset has not been recognised in respect of trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £58,209. The asset would be recognised if there were sufficient taxable profits in the foreseeable future against which the losses could be offset.

*Factors affecting future years*

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

## 8 Intangible assets

| | **Goodwill** |
|---|---|
| **GROUP** | **£** |
| *Cost* | |
| At 1 July 2012 and 31 December 2013 | 10,621,174 |
| ***Amortisation*** | |
| At 1 July 2012 | 6,970,678 |
| Charge for the period | 1.692,669 |
| At 31 December 2013 | 8,663,347 |
| ***Net book value*** | |
| **At 31 December 2013** | **1,957,827** |
| *Net book value* | |
| At 30 June 2012 | 3,650,496 |

Goodwill of £10,061,131, which arose on the acquisition of the building division of MJ Gleeson Group Plc is being amortised over a ten-year period, to 31 July 2015 this being the Directors' assessment of the useful economic life.

Goodwill of £560,043, which arose on the purchase of 60% of the share capital of Oxford GB Limited, is being amortised over six years from the date of acquisition in May 2011.

No impairment of goodwill has taken place during the period.

The Company held no intangible fixed assets at 30 June 2012 or 31 December 2013.

# Notes *(continued)*

## 9 Tangible assets

| GROUP | Long Leasehold Property £ | Fixtures and fittings £ | Computer equipment £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 1 July 2012 | 897,835 | 359,342 | 1,567,566 | 34,613 | 2,859,356 |
| Additions | - | 68,137 | 131,904 | - | 200,041 |
| Disposals | - | - | - | - | - |
| At 31 December 2013 | 897,835 | 427,479 | 1,699,470 | 34,613 | 3,059,397 |
| *Depreciation* | | | | | |
| At 1 July 2012 | 39,259 | 239,906 | 1,407,401 | 21,927 | 1,708,493 |
| Charge for the period | 26,935 | 72,397 | 100,705 | 10,746 | 210,783 |
| Disposals | - | - | - | - | - |
| At 31 December 2013 | 66,194 | 312,303 | 1,508,106 | 32,673 | 1,919,276 |
| *Net book value* | | | | | |
| **At 31 December 2013** | **831,641** | **115,176** | **191,364** | **1,940** | **1,140,121** |
| At 30 June 2012 | 858,576 | 119,436 | 160,165 | 12,686 | 1,150,863 |

| COMPANY | Long Leasehold Property £ | Total £ |
|---|---|---|
| *Cost* | | |
| At 1 July 2012 | 897,835 | 897,835 |
| Additions | - | - |
| Disposals | - | - |
| At 31 December 2013 | 897,835 | 897,835 |
| *Depreciation* | | |
| At 1 July 2012 | 39,259 | 39,259 |
| Charge for the period | 26,935 | 26,935 |
| Disposals | - | - |
| At 31 December 2013 | 66,194 | 66,194 |
| *Net book value* | | |
| **At 31 December 2013** | **831,641** | **831,641** |
| At 30 June 2012 | 858,576 | 858,576 |

The Directors have considered the value of the asset and are satisfied that the value at the balance sheet date is not less than the amount being stated in the Company's accounts.

# Notes *(continued)*

## 10 Investments

**GROUP**
**Associates**

| | 1 July 2012 £ | Movement £ | 31 Dec 2013 £ |
|---|---|---|---|
| Cost – preference shares | 100,000 | - | **100,000** |
| Share of net liabilities | (63,834) | (91,067) | **(154,901)** |
| Goodwill – transferred from intangible assets | 159,833 | - | **159,833** |
| Amortisation | (53,278) | (47,950) | **(101,228)** |
| Short-term loan to associate | 56,000 | (6,000) | **50,000** |
| | 198,721 | (145,017) | **53,704** |

Contour Education Services Limited is registered in England and Wales and is incorporated and operates in the United Kingdom. 21% (2012: 21%) of the ordinary share capital is owned by GB Group Holdings Limited. The principal activity of Contour Education Services Limited is providing services to the education sector. The last year-end of Contour Education Services Limited was 31 December 2013.

Goodwill of £159,833, which arose on the purchase of 21% of the voting share capital of Contour Education Services Limited, is being amortised over five years from the date of acquisition in October 2010.

The Group's share of turnover and operating loss amounts to £64,716 and £84,448 respectively.

**Joint ventures**

| | 1 July 2012 £ | Movement £ | 31 Dec 2013 £ |
|---|---|---|---|
| Cost | 50 | (50) | - |
| Share of net liabilities | (217) | 217 | - |
| Loan to joint venture | 529,787 | (529,787) | - |
| | 529,620 | 529,620 | - |

During the year to 30 June 2012 GB Development Solutions Limited (a 100% subsidiary of the Group) acquired 50% of the share capital of THI Riverside Limited. Fifty £1 ordinary shares were acquired for £50. THI Riverside Limited is registered in England and Wales and is incorporated and operates in the United Kingdom, with a financial year-end of 31 December. The principal activity of THI Riverside Limited is land and property development. In 2012, THI Riverside was consolidated as a Joint Venture. In 2013, however, after reviewing the nature of the relationship, the Group concluded that THI Riverside should be treated as a subsidiary because its operations were under the Group's effective control. THI Riverside has, therefore, been consolidated in the 2013 financial statements as a subsidiary undertaking. At December 2013 there was a minority interest of £50 representing the Joint Venture partner's share of the share capital in THI Riverside Limited. There is no other minority interest in relation to the consolidation of THI Riverside as a subsidiary given the profit share terms of the joint venture agreement with the joint venture partner.

**Other**

| | 1 July 2012 £ | Movement £ | 31 Dec 2013 £ |
|---|---|---|---|
| Cost | - | 10 | 10 |
| | - | 10 | 10 |

During the period GB Development Solutions Limited – a 100% subsidiary of the Group – invested £10 to acquire 10% of the share capital of Caspan Limited. Caspan Limited is registered in England and Wales and is incorporated and operates in the United Kingdom. The principal activity of Caspan Limited is property development.

# Notes *(continued)*

## 10 Investments *(continued)*

| COMPANY | Subsidiary undertakings £ | Investment in associate £ | Total £ |
|---|---|---|---|
| At 1 July 2012 and 31 December 2013 | 5,571,982 | 250,000 | **5,821,982** |

### Subsidiary undertakings

All subsidiaries are registered in England and Wales and are incorporated and operate in the United Kingdom, with financial year-ends of 31 December.

All of the following subsidiary undertakings are wholly owned by GB Group Holdings Limited or one of the subsidiaries, unless otherwise stated.

| Company | Principal Activity | Holding % | Holding |
|---|---|---|---|
| GB Building Solutions Limited | Construction | 100% | Direct |
| GB Development Solutions Limited | Development | 100% | Direct |
| Oxford GB Limited | Hotel development | 100% | Direct |
| Oxford GB One Limited | Hotel development | 100% | Indirect |
| Oxford GB Two Limited | Hotel development | 100% | Indirect |
| Oxford GB Three Limited | Hotel development | 100% | Indirect |
| Portland Crescent Leeds Limited | Hotel development | 100% | Indirect |
| Aston Care Solutions Limited | Care consultancy | 100% | Direct |
| Discovery Business Solutions Limited | IT services | 100% | Direct |
| GB Energy Solutions Limited | Supply and install energy solutions | 100% | Direct |
| GB Asset Management Limited | Facilities management | 100% | Direct |
| GB (Horley) Limited | Development | 100% | Indirect |
| THI Riverside Limited | Development | 50% | Indirect |
| Caspan Limited | Development | 10% | Indirect |
| Contour Education Services Limited | Education services | 21% | Direct |

## 11 Debtors: due within one year

| GROUP | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Trade debtors | **4,673,847** | 1,406,425 |
| Contract retentions | **5,935,829** | 5,932,052 |
| Amounts recoverable on contracts | **30,188,595** | 15,385,149 |
| Other debtors | **1,751,613** | 273,771 |
| Prepayments and accrued income | **1,235,718** | 699,459 |
| Corporation tax | - | 262 |
| Other taxation and social security | - | 1,062,720 |
| Deferred tax asset (see note 16) | **277,845** | 75,549 |
| | **44,063,447** | 24,835,387 |

# Notes *(continued)*

## 11 Debtors: due within one year *(continued)*

| COMPANY | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Other debtors | **50,001** | 166,000 |
| Amounts owed from group undertakings | **114,930** | 35,930 |
| Prepayments and accrued income | **139,102** | 32,151 |
| Other taxation and social security | **304** | - |
| Corporation tax | **7** | - |
| | **304,344** | 234,081 |

## 12 Debtors: due after more than one year

| GROUP | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Trade debtors – contract retentions | **1,463,536** | 661,790 |

## 13 Cash at bank

| GROUP | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Cash at bank | **11,662,650** | 7,113,091 |
| Cash in escrow | **2,042,600** | - |
| | **13,705,250** | 7,113,091 |

The cash held in escrow represents restricted funds with Standard Life to cover rent payable in connection with the hotel project at Hilton Leeds Arena. Half the cash will be released over the two years to practical completion of the hotel and the remainder will be released back to the GB Group on practical completion.

## 14 Creditors: amounts falling due within one year

| GROUP | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Bank loans and overdraft | **2,792,460** | 2,342,000 |
| Trade creditors | **10,266,329** | 7,028,339 |
| Subcontractor retentions | **5,807,084** | 5,638,293 |
| Payments on account | **1,261,937** | 325,446 |
| Other taxation and social security | **1,133,515** | 536.262 |
| Other creditors | **275,338** | 486,667 |
| Accruals | **38,625,590** | 21,154,969 |
| | **60,162,253** | 37,511,976 |

The bank loan is a loan from Santander in connection with the care home development project at Horley, Surrey being undertaken by GB Development Solutions Limited. The loan balance was £2,723,000 at the end of the reporting period (30 June 2012: £nil). Interest is payable at a variable rate linked to LIBOR. The loan is repayable by September 2014 but was in fact repaid in March 2014. The loan is secured by a fixed and floating charge over the assets of GB Development Solutions Limited and a debenture security over the Development and Building contracts of the project. There was also a small overdraft of £19,460 and £50,000 being the amount due in less one year on the mortgage with Lloyds Bank which is secured on our Wakefield office, see note 15.

# Notes *(continued)*

## 14 Creditors: amounts falling due within one year *(continued)*

| COMPANY | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Trade creditors | **204** | 111,638 |
| Amounts due to Group undertakings | **4,742,638** | 2,370,369 |
| Loan | **50,000** | 442,000 |
| Other taxation and social security | **-** | 518 |
| Other creditors | **-** | 29,000 |
| Accruals | **61,933** | 23,647 |
| | **4,854,775** | 2,977,172 |

## 15 Creditors: amounts falling due after more than one year

| GROUP | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Subcontractor retentions | **889,112** | 339,425 |
| Other loan | **4,083,903** | - |
| Bank loan | **569,500** | - |
| | **5,542,515** | 339.425 |

The bank loan comprises two loans, a loan secured on our Wakefield office with Lloyds Bank in GB Group Holdings Limited and a development loan for the Hilton Leeds Arena project with The Co-operative Bank in Oxford GB Two Limited. The balance of the loan from Lloyds Bank at 31 December 2013 was £429,500 (of which £50.000 was repayable within one year, see note 14) (30 June 2012: £nil). Interest is payable at a variable rate linked to LIBOR. The balance of the loan with The Co-operative Bank at the end of the reporting period was £190,000 (30 June 2012: £nil). This loan begins as a development loan repayable within two years of the date of the loan agreement, this element is, therefore, due to be repaid during the year ending December 2015. The loan will be converted to a term loan when the Hilton Leeds Arena hotel project reaches practical completion and will be repayable within three years of the date of the agreement. Interest is payable at a variable rate linked to LIBOR. This loan has a standard mortgage debenture held in the name of Oxford GB Two Limited, incorporating a fixed and floating charge over the assets of that company. The loan also has a first legal charge held over the freehold land of the Hilton Leeds Arena project.

The 'other' loan is a loan from Leeds Growing Places Fund in Oxford GB Two Limited for the Hilton Leeds Arena project. The balance of the loan at the end of the reporting period was £4.083,903 (30 June 2012: £nil). Interest is payable at an initial interest rate of 6.5% per annum. The loan is repayable within five years of the first drawdown date, so is due to be repaid by November 2018. The loan is secured by way of a second legal charge on the land of the development site at Hilton Leeds Arena.

| COMPANY | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Bank loan | **379,500** | - |
| | **379,500** | - |

The bank loan is a loan from Lloyds Bank, the balance at the 31 December 2013 was £429,500 (of which £50,000 was repayable within one year, see note 14) (30 June 2012: £nil). Interest is payable at a variable rate linked to LIBOR. The loan is secured on our Wakefield office.

# Notes *(continued)*

## 15 Creditors: amounts falling due after more than one year *(continued)*

| GROUP | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Due in less than one year | 2,773,000 | 2,342,000 |
| Due between one year and two years | 240,000 | - |
| Due between two years and five years | 4,413,403 | - |
| | 7,426,403 | 2,342,000 |

| COMPANY | 31 Dec 2013 | 30 June 2012 |
|---|---|---|
| Due in less than one year | 50,000 | 442,000 |
| Due between one year and two years | 50,000 | - |
| Due between two years and five years | 329,500 | - |
| | 429,500 | 442,000 |

## 16 Provision for deferred tax

**GROUP**

| **Deferred tax asset** | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| At 1 July 2012 | 75,549 | 106,999 |
| Adjustment in respect of prior periods | (2,958) | (5,342) |
| Deferred tax credited/(charged) to the profit and loss account for the period | 205,254 | (26.108) |
| **At 31 December 2013** | 277,845 | 75,549 |

| The deferred tax asset comprises: | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Accelerated capital allowances | 90,967 | 66,520 |
| Losses | 177,850 | - |
| Short-term timing differences | 9,028 | 9,029 |
| | 277,845 | 75,549 |

# Notes *(continued)*

## 17 Share capital

| | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| **Allotted, called up and fully paid:** | | |
| 320,000 (2012: 320,000) A Ordinary shares of £1 each | **320,000** | 320,000 |
| 4,815,811 (2012: 4,815,811) B Ordinary shares of £1 each | **4,815,811** | 4,815,811 |
| 71,500 (2012: 64,000) C Ordinary Shares of £1 each | **71,500** | 64,000 |
| 70,000 (2012: 70,000) D Ordinary Shares of £1 each | **70,000** | 70,000 |
| | **5,277,311** | 5,269,811 |

The rights and restrictions attached to each class of shares is set out below.

*A Ordinary*
The holder of each share is entitled to receive notice of, attend or vote at any general meeting of the Company. There is one vote per share in any circumstance. The holder of each share is entitled to participate in the profits of the company. On the return of assets after a winding-up of the company or other return of capital, the distributable proceeds shall be applied in the order of priority set out in the Articles. Further rights and restrictions are set out in the Articles.

*B Ordinary*
The holders of shares are not entitled to receive notice of, attend or vote at any general meeting of the Company. Shares confer no voting rights in any circumstance. Holders of shares are not entitled to participate in the profits of the Company. On the return of assets after winding–up of the Company or other return of capital, the distributable proceeds shall be applied in the order of priority set out in the Articles. Further rights and restrictions are set out in the Articles.

*C Ordinary*
The holders of shares are not entitled to receive notice of, attend or vote at any general meeting of the Company. Shares confer no voting rights in any circumstance. Holders of shares are not entitled to participate in the profits of the Company. On the return of assets after winding–up of the Company or other return of capital, the distributable proceeds shall be applied in the order of priority set out in the Articles. Further rights and restrictions are set out in the Articles.

*D Ordinary*
The holders of shares are not entitled to receive notice of, attend or vote at any general meeting of the Company. Shares confer no voting rights in any circumstance. Holders of shares are not entitled to participate in the profits of the Company. On the return of assets after a winding–up of the company or other return of capital, the distributable proceeds shall be applied in the order of priority set out in the Articles. Further rights and restrictions are set out in the Articles.

In the period ended 31 December 2013, the Company issued 7,500 C Ordinary Shares with a nominal value of £1 each for a total contribution of £7,500.

## 18 Reserves

### Profit and loss account

| | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| **GROUP** | | |
| At 1 July 2012 | **465,091** | 770,927 |
| Loss for the financial period | **(1,084,932)** | (305,836) |
| Reclassification from joint venture to subsidiary (see note 10) | **(434)** | - |
| **At 31 December 2013** | **(620,275)** | 465,091 |

# Notes *(continued)*

## 18 Reserves *(continued)*

| COMPANY | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| At 1 July 2012 | **(1,329,737)** | 14,304 |
| Loss for the financial period | **(2,170,685)** | (1,344,041) |
| **At 31 December 2013** | **(3,500,422)** | (1,329,737) |

## 19 Reconciliation of movement in shareholders' funds

| GROUP | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Loss for the financial period | **(1,084,932)** | (305.836) |
| Share issue (see note 17) | **7,500** | - |
| Reclassification from joint venture to subsidiary | **(434)** | - |
| Own shares | **(72,397)** | - |
| Net decrease in shareholders' funds | **(1,150,263)** | (305,836) |
| Opening shareholders' funds | **5,734,902** | 6,040,738 |
| Attributable to the equity holders of GB Group Holdings Limited | **4,584,639** | 5,734,902 |
| Minority interest | **50** | - |
| Closing shareholders' funds | **4,584,689** | 5,734.902 |

The reserve for 'own shares' arises in connection with the Employee Share Ownership Plan (ESOP) trust, a discretionary trust established to facilitate the operation of the Group's long-term incentive scheme for senior management. The amount of the reserve represents the deduction in arriving at shareholders' funds for the consideration paid for the Company's shares purchased by the trust which had not vested unconditionally in employees at the balance sheet date.

The number and market value of the ordinary shares held by the ESOP trust at 31 December 2013 was 72,000 (30 June 2012: 22,500) and £72,397 (30 June 2012: £22,635) respectively. None of these shares were under option to employees or had been conditionally gifted to them at the balance sheet date.

| COMPANY | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Loss for the financial period | **(2,170,685)** | (1,344,041) |
| Share issue | **7,500** | - |
| Net decrease in shareholders' funds | **(2,163,185)** | (1,344.041) |
| Opening shareholders' funds | **3,940,074** | 5,284,115 |
| Closing shareholders' funds | **1,776,889** | 3,940,074 |

## Notes *(continued)*

### 20 Reconciliation of operating profit to operating cash flows

| | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|
| Operating loss | **(1,093,555)** | (189,065) |
| Amortisation of goodwill | **1,692,669** | 1,128,446 |
| Depreciation charge | **210,783** | 200,825 |
| Loss on disposal of tangible fixed assets | **-** | 627 |
| Increase in stock and work in progress | **(2,459,227)** | (1,200,800) |
| Increase in debtors | **(18,891,281)** | (1,839,520) |
| Increase / (decrease) in creditors | **21,687,543** | (5,429,748) |
| Net cash inflow / (outflow) from operating activities | **1,146,932** | (7,329,235) |

### 21 Analysis of net cash

| | At beginning of period £ | Cash flow £ | At end of period £ |
|---|---|---|---|
| Cash at bank | 7,113,091 | 4,549,559 | **11,662,650** |
| Cash in escrow | - | 2,042,600 | **2,042,600** |
| Other loan | - | (4,083,903) | **(4,083,903)** |
| Bank overdraft | - | (19,460) | **(19,460)** |
| Bank loan | (2,342,000) | (1,000,500) | **(3,342,500)** |
| | 4,771,091 | 1,488,296 | **6,259,387** |

### 22 Operating lease commitments

The Group had the following non-cancellable annual commitments under operating leases:

| | Land and buildings £ | Other £ | 31 Dec 2013 £ | 30 June 2012 £ |
|---|---|---|---|---|
| Expiring within one year | - | 40,922 | **40,922** | 8,397 |
| Expiring between two and five years | 166,256 | 393,675 | **559,931** | 311,645 |
| Expiring over five years | 86,450 | - | **86,450** | 37,001 |
| | 252,706 | 434,597 | **687,303** | 357,043 |

The company has no annual commitments under operating leases.

# Notes *(continued)*

## 23 Contingent liabilities

There are contingent liabilities in respect of guarantees under building and other arrangements entered into in the normal course of business. The Directors are of the opinion that adequate provision has been made in the accounts for all likely losses of this nature.

There are also contingent liabilities in respect of actual and potential claims by third parties under contracting and other arrangements entered into during the normal course of business. While the outcome of these matters is uncertain, the Directors believe that appropriate provision has been made within the accounts.

## 24 Related party transactions

**GROUP**

The Company and Group have taken advantage of the exemption available in FRS8 ("Related party transactions") not to disclose transactions or balances with wholly owned subsidiaries.

### (i) Group Transactions

Gleeson Construction Services Limited is a wholly owned subsidiary of MJ Gleeson Group Plc, who are shareholders of the Group.

During the reporting period the Group was invoiced £nil by MJ Gleeson Group Plc for rent, rates, service charge and plant hire (30 June 2012: £16,313). MJ Gleeson Group Plc invoiced £nil for construction services (30 June 2012: £10,424). At 31 December 2013, MJ Gleeson Group Plc owed the Group £10,685 (30 June 2012: £10,770).

### (ii) Associate transactions

**Contour Education Services Limited**

During the reporting period the Group provided Contour Education Services Limited with IT, Finance and HR services for a charge of £nil (30 June 2012: £27,778). The Group also invoiced Contour Education Services Limited £25,259 for IT and administration costs (30 June 2012: £7,857). At 31 December 2013 £17,452 remained due to the Group (30 June 2012: £33,865).

A short-term loan was made to Contour Education Services Limited during the period. The balance of the loan at 31 December 2013 was £50,000 (30 June 2012: £56,000).

**THI Riverside Limited**

During the reporting period, GB Group companies made working capital loans to and received working capital loans from THI Riverside Limited, a subsidiary company in which GB Development Solutions Limited owns 50% of the share capital. At 31 December 2013, the amount owed to THI Riverside Limited by the Group was £697,874 (30 June 2012: amount owed from THI Riverside Limited was £529,787).

**Caspan Limited**

During the reporting period GB Building Solutions Limited invoiced Caspan Limited £2,880,848 for construction services (30 June 2012: £nil). At 31 December, £495,431 was outstanding (30 June 2012: £nil). In addition, at 31 December 2013, GB Building Solutions Limited was owed £144,042 in respect of outstanding retention (30 June 2012: £nil) and GB Development Solutions Limited owed Caspan Limited £10 in respect of unpaid share capital (30 June 2012: £nil).

### (iii) Directors Transactions

There were no related party transactions with any Director either during the reporting period or in the subsequent period to the date of approval of the financial statements.

### (iv) Directors' material interests in contracts with the Group

No Director had a material interest in any contract with the Group during the reporting period.

# Notes *(continued)*

## 24 Related party transactions *(continued)*

**COMPANY**

At 31 December 2013, the amount due to subsidiary undertakings was £4,742,638 (30 June 2012: £2,370,369).

## 25 Control

In the opinion of the Directors there is no ultimate controlling party of the Group or Company.