Garbol Limited

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

Registered Number: 05635505 (England and Wales)

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Directors, officers and advisers

Directors	M T Morris K J Breen M R Lethaby (resigned 22 October 2015) D R Hillman A Martin (appointed 1 September 2015)
Company secretary	D R Hillman
Registered number	05635505
Registered office	1 Tamdown Way Braintree Essex CM7 2QL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 80 Compair Crescent Ipswich Suffolk IP2 0EH

Group Strategic Report
For the year ended 30 September 2015

Business review

The business continues to benefit from the ongoing recovery in the housing market. This rising market is anticipated to continue for the foreseeable future, with both politicians and industry commenting that in excess of 200,000 new homes should be built per year in order to reduce the large backlog. The house building sector is seen as the engine room of the UK's economy.

The Government continues to provide assistance to house buyers, particularly with the Help to Buy scheme which has been extended to 2020.

With the recovery of the housing market the Group has seen an increase in the portfolio of the bluechip client base and a strengthening of the order book by 16% to £164m.

The performance of both Tamdown and TriConnex have improved during the year, resulting in the Revenue for the Group increasing by £23.2m to £130.9m (2014: £108.4m), a 21% improvement, and the Group's Profit after Tax increasing by 26% to £6.3m (2014: £5.0m).

Tamdown, the Group's infrastructure division, increased Revenue by £16.5m to £111.9m (2014: £96.1m) and increased the Operating Profit by 36% to £5.9m (2014: £4.3m). The order book for Tamdown strengthened to £95m (2014: £89m).

TriConnex, the Group's utility division, increased Revenue by 55% to £18.9m (2014: £12.2m) and also increased the Operating Profit by 21% to £2.6m (2014: £2.2m). Due to a number of significant contract wins the order book increased to £69m (2014: £53m) and extends to 15 years.

During the year the company acquired the balance of its preference shares. See the Directors Report for details.

Principal activities

The Group provides a wide range of construction services in public and private housing, defence and energy sectors. Those services comprise:
- Construction including high rise, utilities and remediation
- Utilities.

A full list of clients and services is available to view on the company website www.tamdown.com.

Key performance indicators

Our financial key performance indicators are:

Revenue measure – The strength of revenue is an important measure of the success of the business plan.

- Revenue £130.9m (2014: £108.4m) – a 20.7% increase in the year

Profit measures – The Group's gross profit margin and operating profit are important measures of the implementation of the business plan.

- Gross profit margin 15.7% (2014: 15.9%) – a minor reduction in the gross margin due to increases in the cost of materials at the end of a number of fixed term contracts
- Operating profit £8.1m (2014: £6.3m) – an increase of 29% due to increased volume of work and tight control of overheads

Group Strategic Report (continued)
For the year ended 30 September 2015

Cash measure – The net cash balance (Cash and cash equivalents less Borrowings) is a measure of the strength of the balance sheet and to confirm that the Group has the funds necessary to fulfil its growth strategy.

- Net cash balance £26.7m (2014: £18.5m) – an increase of £8.2m in the year

Key performance indicators (continued)

Forward sales measure – The strength of the Group's forward sales is an important measure of the Group's expected future success.

- Order book £164m (2014: £142m) – an increase of £22m, with sales now extended out for 15 years.

Our non-financial key performance indicators are:

Environmental - Our on-going environmental objectives for the Group are to educate our workforce, reduce waste, to increase recycling of materials, to reduce emissions and to reduce energy consumption.

- No incidents or prosecutions for this period (2014: Nil) alongside external audits from the Environment Agency and BSI show that the Group remains compliant and competent.

Health and Safety - Health and Safety is at the forefront of our business and there is an on-going commitment to continuous improvement across the business by raising awareness and improvements through a programme of Behavioural Safety (Worksmart) including Worker Engagement.

- No incidents or prosecutions for this period (2014: Nil) alongside external audits from Clients and BSI show that the Group remains compliant and competent.
- Our AIR incident rate of 565.9 (2014: 406.5) is significantly below industry average of 735.6.

Principal risks and uncertainties

The principal risks of the business comprise:

Credit Risk

Group policies are aimed at minimising exposure to bad debt. We review the credit rating of existing customers quarterly. In addition we have a very robust selection process on all tenders from companies for which we have not previously worked. This assessment includes profitability, payment record and balance sheet strength.

Competitive Risk

The market is improving with clients looking for robust companies to support their own business growth. Challenges are coming from attracting sufficient labour resources to be able to undertake the anticipated workload from the market growth. Tamdown has a great reputation in the industry for training and looking after staff, making us an employer of choice.

Raw materials are increasing in price as demand increases. Our strong long term relationships with our suppliers alongside our positive credit position help the business to negotiate competitive prices for materials.

Group Strategic Report (continued)
For the year ended 30 September 2015

Contractual Risk

The business works under a number of contract forms subject to sector and client. The contracts may be very complex, have effect over a long period of time and be subject to terms which we regard as onerous. We therefore assess each contract prior to commencement to agree content and mitigate risk. Our long term relationships and familiarity with most contract types are significant factors in managing this risk.

Adoption of IFRS

The Directors have decided to adopt International Financial Reporting Standards (IFRS) for the Group and the Company. This is the first set of accounts to be presented in this way and details of the adjustments required are shown in note 25.

This report was approved by the board and signed on its behalf.

D R Hillman

D R Hillman
Director

Date: 5-2-16

Directors' Report
For the year ended 30 September 2015

The directors present their report and the financial statements for the year ended 30 September 2015.

Results and dividends

The Group profit for the year, after taxation, amounted to £6,338,000 (2014 - £5,024,000).

The directors have not recommended a dividend in 2015 (2014 - £165,691).

Donations

The Group has made no political donations during any of the periods presented.

Events after the reporting date

On 1 December 2015 the Company cancelled it's capital redemption reserve account of £4,734,027. This reduction lead to a corresponding increase in Retained earnings.

On 2 December the Company renewed its borrowing facilities with Allied Irish Bank and drew down a term loan of £12.0m and paid off the existing facility.

On 3 December 2015 the Company paid an interim dividend of £11.0m.

Acquisition of own shares

During the year the Company bought back the second tranche of the cumulative preference shares at par. The redemption rights of the preference shares are such that the Company has the absolute right to redeem the shares whereas the shareholder has no such right. The value of the shares amounted to £2,367,000 (2014: £2,367,000).

Directors

The directors who served during the year were:

P D Holliday OBE (deceased 14 February 2015)
M T Morris
K J Breen
M R Lethaby (resigned 22 October 2015)
D R Hillman
A C Martin (appointed 1 September 2015)

Future developments

We believe that the business is well placed to benefit from the ongoing recovery in the housebuilding industry.

Our order book and cash reserves provide a strong base on which to build growth. Our main clients are the leading UK housebuilders who will be responsible for the great majority of the new housebuilding over the next few years.

The Group's focus is on the very large, multi-phase projects which lend additional revenue visibility beyond what is in the formal order book.

Management will consider acquisitions in the future, likely to be in engineering services and probably focused on energy and utility sectors, to enhance visibility of revenues and to offer some industry diversification.

Directors' Report (Continued)
For the year ended 30 September 2015

Employee involvement

Our people are the foundation of our business and this year has seen a continued growth in new talent entering the business to bolster our strategy of growth and succession.

Our graduate programme continued into its fourth year, with the employment of a further five graduates. This is alongside our site apprentice scheme which is working well. The apprenticeship scheme has been extended to cover site, plant and equipment and office training and at 30 September 2015 we employed 10 apprentices.

We continue to hold the Investor in People accreditation and continuously invest in our employees' personal development. We have an annual performance and development review with our staff. Investment is at all levels with Directors also involved in the Vistage group (an executive coaching forum). We have recruited a Learning and Development Manager to support our staff in their careers.

The Tamdown Degree, which is run in association with Anglia Ruskin University, provides the opportunity for employees to study for a 3 year Business Degree. The employees have the opportunity to incorporate theoretical aspects of the course into their day-to-day work alongside the flexibility to study at a time to suit them.

Our companywide Gold Award scheme recognises and rewards outstanding innovation, customer service and efficiency. Bi-annual conferences for the staff incorporate a guest speaker and the Board gives a strategic and operational update. In addition, twice yearly conferences with site staff enable ideas on cost control and customer service to be exchanged across the business, as well as providing an update to the wider group of employees.

Disabled employees

The directors give special attention to the health and safety of their employees and endeavor to ensure that as far as possible recruitment, training, career development and promotion of disabled persons is the same as for other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is received.

Corporate Social Responsibility

Giving things back to our local and wider communities remains a core value for our business. Our CSR covers our relationships with education, wildlife, charities (including our own Tamdown Foundation), our employee's quality of life and their environment. We carry out, attend and support numerous events throughout the year and intend to continue and improve on this as the business grows.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company and 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;
- IFRSs 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

Directors' Report (Continued)
For the year ended 30 September 2015

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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 5-2-16 and signed on its behalf.

D R Hillman

D R Hillman
Director

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 2015 which comprise the consolidated statement of total comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 set out on page 7, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 30 September 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 year for which the financial statements are prepared is consistent with the financial statements.

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.

Grant Thornton UK LLP

James Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Ipswich
Date: 5 February 2016

Consolidated statement of total comprehensive income

For the year ending 30 September 2015

	Note	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Revenue	4	130,863	108,351
Cost of sales		(110,251)	(91,148)
Gross profit		20,612	17,203
Expenses			
Administrative expenses		(12,513)	(10,885)
Operating profit	6	8,099	6,318
Other income		40	3
Finance income	8	59	38
Finance expense	8	(90)	(111)
Profit before tax		8,108	6,248
Taxation	9	(1,770)	(1,224)
Profit		**6,338**	**5,024**
Other Comprehensive Income			
Items that will or may be reclassified to profit or loss:			
Available for sale investments		192	58
Total Comprehensive Income for the year attributable to equity Holders of the parent		**6,530**	**5,082**
Basic and Diluted Earnings per share (£ per share)	10	£8.39	£6.65

The notes on pages 17 to 39 form part of the financial statements

Consolidated statement of financial position

As at 30 September 2015

Company number: 05635505

	Note	30 September 2015 £'000	30 September 2014 £'000	30 September 2013 £'000
Non-current assets				
Property, plant and equipment	11	4,192	5,038	3,757
Goodwill	12	2,361	2,361	2,361
Investments	13	524	332	245
Total non-current assets		7,077	7,731	6,363
Current assets				
Inventories	14	739	536	260
Trade and other receivables	15	22,129	25,491	16,531
Cash and cash equivalents		27,724	20,467	16,066
Total current assets		50,592	46,494	32,857
Total assets		57,669	54,225	39,220
Current liabilities				
Borrowings	16	1,000	2,047	850
Trade and other payables	17	39,318	38,644	25,178
Corporation tax		716	512	1,019
Total current liabilities		41,034	41,203	27,047
Non-current liabilities				
Borrowings	16	-	-	2,046
Finance lease liabilities		160	692	390
Deferred tax liabilities	18	165	183	139
Total non-current liabilities		325	875	2,575
Total liabilities		41,359	42,078	29,622
Net assets		**16,310**	**12,147**	**9,598**
Equity attributable to equity holders of the company				
Share capital	19	755	3,122	5,489
Capital redemption reserve		4,734	2,367	-
Retained earnings		10,821	6,658	4,109
Total equity		**16,310**	**12,147**	**9,598**

The financial statements were approved by the Board of Directors and authorised for issue on 5-2-16

D Hillman

Dawn Hillman
Director

The notes on pages 17 to 39 form part of the financial statements

Company statement of financial position

As at 30 September 2015

Company number: 05635505

	Note	30 September 2015 £'000	30 September 2014 £'000	1 October 2013 £'000
Non-current assets				
Investments	13	20,605	20,605	20,580
Total non-current assets		20,605	20,605	20,580
Current assets				
Trade and other receivables	15	32	5,025	220
Total current assets		32	5,025	220
Total assets		20,637	25,630	20,800
Current liabilities				
Borrowings	16	1,000	2,047	850
Trade and other payables	17	13,685	14,849	12,122
Total current liabilities		14,685	16,896	12,972
Non-current liabilities				
Borrowings	16	-	-	2,046
Total non-current liabilities		-	-	2,046
Total liabilities		14,685	16,896	15,018
Net assets		**5,952**	**8,734**	**5,782**
Equity attributable to equity holders of the company				
Share capital	19	755	3,122	5,489
Capital redemption reserve		4,734	2,367	-
Retained earnings		463	3,245	293
Total equity		**5,952**	**8,734**	**5,782**

The financial statements were approved by the Board of Directors and authorised for issue on 5-2-16

D Hillman

Dawn Hillman
Director

The notes on pages 17 to 39 form part of the financial statements

Consolidated statement of changes in equity

For the year ended 30 September 2015

	Share Capital	Capital Redemption Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000
Equity as at 1 October 2013	5,489	-	4,109	9,598
Transactions with owners				
Dividend paid	-	-	(166)	(166)
Redemption of redeemable preference shares	-	-	(2,367)	(2,367)
Transfer from share capital on redemption of preference shares	(2,367)	2,367	-	-
	(2,367)	2,367	(2,533)	(2,533)
Total comprehensive income				
Profit for the year	-	-	5,024	5,024
Other comprehensive income	-	-	58	58
			5,082	5,082
Equity as at 30 September 2014	3,122	2,367	6,658	12,147
Transactions with owners				
Redemption of redeemable preference shares	-	-	(2,367)	(2,367)
Transfer from share capital on redemption of preference shares	(2,367)	2,367	-	-
	(2,367)	2,367	(2,367)	(2,367)
Total comprehensive income				
Profit for the year	-	-	6,338	6,338
Other comprehensive income	-	-	192	192
			6,530	6,530
Equity as at 30 September 2015	755	4,734	10,821	16,310

The notes on pages 17 to 39 form part of the financial statements

Company statement of changes in equity

For the year ended 30 September 2015

	Share Capital	Capital Redemption Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000
Equity as at 1 October 2013	5,489	-	293	5,782
Transactions with owners				
Dividend paid	-	-	(166)	(166)
Redemption of redeemable preference shares	-	-	(2,367)	(2,367)
Transfer from share capital on redemption of preference shares	(2,367)	2,367	-	-
	(2,367)	2,367	(2,533)	(2,533)
Total comprehensive income				
Profit for the year	-	-	5,485	5,485
Equity as at 30 September 2014	3,122	2,367	3,245	8,734
Transactions with owners				
Redemption of redeemable preference shares	-	-	(2,367)	(2,367)
Transfer from share capital on redemption of preference shares	(2,367)	2,367	-	-
	(2,367)	2,367	(2,367)	(2,367)
Total comprehensive income				
Loss for the year	-	-	(415)	(415)
Equity as at 30 September 2015	755	4,734	463	5,952

The notes on pages 17 to 39 form part of the financial statements

Consolidated statement of cash flows

For the year ended 30 September 2015

	Year ended 30 September 2015	Year ended 30 September 2014
	£'000	£'000
Cash Flow from Operating activities		
Profit before tax	8,108	6,248
Adjusted by:		
Profit on disposal	(4)	-
Finance cost (net)	31	70
Depreciation of property, plant and equipment	1,206	1,022
Operating loss before working capital changes	9,341	7,340
Working capital adjustments:		
(Increase)/ Decrease in trade and other receivables	2,686	(8,960)
(Increase)/ Decrease in inventories	(203)	(276)
Increase/ (Decrease) in trade and other payables	834	12,412
Cash generated from operations	12,658	10,516
Interest paid	(88)	(111)
Taxation paid	(1,601)	(1,180)
Net cash flows from operating activities	10,969	9,225
Investing activities		
Purchase of property, plant and equipment	(570)	(2,304)
Sale of plant and equipment	213	-
Investment	-	(28)
Interest received	59	41
Net cash used in investing activities	(298)	(2,291)
Cash flow from financing activities		
Dividend Payment	-	(166)
Repayment of loans	(1,047)	-
Redemption of preference shares	(2,367)	(2,367)
Net cash used in financing activities	(3,414)	(2,533)
Net change in cash and cash equivalents	7,257	4,401
Cash and cash equivalents at the beginning of the year	20,467	16,066
Cash and cash equivalents at the end of the year	**27,724**	**20,467**

The notes on pages 17 to 39 form part of the financial statements

Company statement of cash flows

For the year ended 30 September 2015

	Year ended Sep 2015 £'000	Year ended Sep 2014 £'000
Cash Flow from Operating activities		
(Loss)/ profit before tax	(415)	5,485
Adjusted by:		
Finance cost (net)	48	46
Operating loss before working capital changes	(367)	5,531
Working capital adjustments:		
(Increase)/ Decrease in trade and other receivables	4,993	(4,805)
Increase/ (Decrease) in trade and other payables	(1,164)	2,727
Cash generated from operations	3,462	3,453
Interest paid	(48)	(84)
Net cash flows from operating activities	3,414	3,369
Investing activities		
Purchase of property, plant and equipment		
Investment	-	(25)
Interest received	-	38
Net cash used in investing activities	-	13
Cash flow from financing activities		
Dividend Payment		(166)
Repayment of loans	(1,047)	(849)
Redemption of preference shares	(2,367)	(2,367)
Net cash used in financing activities	(3,414)	(3,382)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at closing	-	-

The notes on pages 17 to 39 form part of the financial statements

Notes to the financial statements

1. Accounting policies

General information

The principal activity of Garbol Limited ("the Company") and its subsidiaries (together "the Group") is the provision of a wide range of construction services in public and private housing, defence and energy sectors.

Those services comprise:

- Construction including high rise, utilities and remediation
- Utilities.

The principal trading subsidiaries are Tamdown Group Limited, TriConnex Limited, Tamdown Services Limited, Tamdown Plant Hire Limited and Tamdown Regeneration Limited.

The Company is a private limited company and is incorporated and domiciled in the UK. The address of the registered office is 1, Tamdown Way, Braintree, Essex, CM7 2QL.

The registered number of the company is 05635505.

Basis of preparation

The consolidated and company financial statements are for the year ended 30 September 2015. They have been prepared in compliance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 30 September 2015. The consolidated and company financial statements have been prepared under the historical cost convention and are presented in Sterling rounded to the nearest thousand except where indicated otherwise.

This is the first financial information of the Group and Company prepared in accordance with IFRS and the Group has applied IFRS 1 'First time adoption of IFRS' from the transition date of 1 October 2013. Please refer to note 25 for the details of the adjustments required to present the accounts under IFRS including any exemptions taken. The accounting policies used have been consistently applied from the transition balance sheet and throughout all periods presented in this financial information.

Company results

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act and has not presented its own Statement of Comprehensive Income. The Group profit for the year includes a loss for company during the year of £415,000 (2014: profit of £5,485,000).

Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of over one half of the voting rights.

The consolidated financial statements present the results of the Company and its subsidiaries as if they form a single entity. Intercompany transactions and balances are therefore eliminated in full. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Going concern

The directors have undertaken a future cash flow analysis and as a result have a reasonable expectation that the Group has adequate resources to meet its liabilities as they arise for at least twelve months from the approval of these financial statements and, consequently, the directors have adopted the going concern basis of accounting in the preparation of these financial statements.

Standards in issue but not yet effective

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 October 2015 and which have not been adopted early, are expected to have a material effect on the company's future financial statements.

Notes to the financial statements (continued)

Accounting policies (continued)

Revenue Recognition
Revenue, which excludes intra-group revenue and value added tax, comprises:
– value of work executed during the year on construction contracts based on monthly valuations; and
– sales of developments and land which are recorded upon legal completion.

Construction contracts
Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in a flow of future economic benefit to the group and can be measured reliably. Contract revenue and expenses are recognised in accordance with the stage of completion of the contract. The stage of completion is determined by surveys of work performed. Contract costs incurred that relate to future activities are deferred and recognised as work in progress. When it is probable that the total contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately. To the extent that progress billings exceed costs incurred plus recognised profits (less recognised losses) they are recognised as trade receivables.

Deferred revenue
Where advances are made by customers and cash is received the recognition of the appropriate revenue for the period requires a deferral of a proportion of the cash receipt to future periods for the purposes of recognition in the income statement. The deferred income is shown as a liability on the statement of financial position.

Inventory
Inventory is stated at the lower of costs incurred in bringing each product to its present location and condition compared to net realisable value. Cost of inventory is determined as follows:

Raw materials, consumables and goods for resale	purchase cost on a first-in/first-out basis.
Work in progress and finished goods	costs of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on an estimated selling price less any further costs expected to be incurred for completion and disposal.

Retirement Benefits: Defined contribution schemes
The Group operates a defined contribution pension scheme. Contributions to the defined contribution scheme are charged to the consolidated statement of comprehensive income in the year to which they relate.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. It is provided at the following rates:

- Freehold property - 2.5% straight line
- Plant and machinery - 25% reducing balance
- Motor vehicles - 25% reducing balance
- Fixtures and fittings - 15-25% reducing balance
- Leasehold improvements - over the life of the lease

Notes to the financial statements (continued)

Accounting policies (continued)

Intangible assets - Goodwill
Goodwill is the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. It is capitalised as an intangible asset and allocated to cash generating units (with separately identifiable cash flows) and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired.

Intangible assets - Impairment
Intangible assets with indefinite lives are subject to impairment tests annually at the financial year end. The carrying values of non- financial assets with finite lives are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the consolidated income statement, except to the extent they reverse previous gains recognised in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Financial assets
The Group classifies its financial assets into the categories, discussed below, based upon the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

Loans and receivables comprise trade and other receivables included within the statement of financial position.

Cash and cash equivalents include cash held at bank and short term investments within 3 months of maturity and with insignificant likelihood of fluctuations in value.

Bank overdrafts are shown within loans and borrowings in current liabilities in the consolidated statement of financial position. For the purposes of the cash flow statement they are included in cash.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Group classifies its financial liabilities as financial liabilities at amortised cost which include the following:

- Bank loans which are initially recognised at fair value net any of transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.
- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements (continued)

Accounting policies (continued)

Investments
Subsidiaries
The Group has investments in subsidiaries which are carried at deemed cost.

Securities
The Group's investment in listed shares is 'available for sale' and carried at fair value being the published price of the individual share holdings at the reporting date. Movements in fair value are taken to the other comprehensive income until the investment is sold when it is reclassified to profit or loss. These are measured fair value level 1, as they are derived from quoted prices in an active market for identical assets.

Equity
- Share capital - the nominal value of equity shares.
- Capital redemption reserve - the nominal value of shares which have been bought back by the company.
- Retained earnings – profits which have been retained within the business

Share Capital
Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability which is a contractual obligation to deliver cash or similar to another entity or a potentially unfavourable exchange of financial assets or liabilities with another entity. The Group's preference shares and ordinary shares are classified as equity instruments.

Dividends
Final equity dividends to the shareholders of Garbol Limited are recognised in the period that they are approved by shareholders. Interim equity dividends are recognised in the period that they are paid.

Dividends receivable are recognised when the Company's right to receive payment is established.

Leased Assets
Where the risks and rewards of ownership of an asset are transferred to the group as lessee, the lease is treated as a finance lease. Other leases are treated as operating leases. Future minimum lease payments payable under finance leases net of finance charges are included in creditors with the corresponding asset values recorded in property, plant and equipment and depreciated over the shorter of their estimated useful lives or their lease terms. Lease payments are apportioned between the finance element, which is charged to the income statement as interest, and the capital element, which reduces the outstanding obligation for future instalments.

Payments under operating leases are charged to profit or loss on a straight line basis over the lease term.

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:
- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:
- the same taxable Group company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Notes to the financial statements (continued)

2. Critical accounting estimates and judgements

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements:

- Recoverability of debt - as part of the process of gaining new business it is necessary to carry out checks on the organisations for which the Group will carry out work. The value of individual contracts is substantial and the risk of default is always present so the estimate of the non-recoverability of the debt made by the Directors is critical. See note 15 for future details.
- Profitability of contracts – individual contracts are negotiated so as to provide a reasonable return to the Group. The calculation of the margin to be achieved and the pricing set by the Directors is of paramount importance to the success of the Group.

3. Capital management

The Group's capital is made up of share capital, capital redemption reserve and retained earnings totalling £ 16,310,000 (2014: £ 12,147,000 - 2013: £ 9,598,000).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The capital structure of the Group consists of shareholders equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources.

4. Revenue

All revenues are generated from the supply of services.

5. Segmental analysis

The directors identify operating segments based upon the information which is regularly reviewed by the chief operating decision maker. The Group considers that the chief operating decision makers are the executive members of the Board of Directors. The Group has identified two reportable operating segments, being that of the provision of construction services (Tamdown) and that of utilities installation (TriConnex).

	2015 £'000	2014 £'000
Revenue		
Tamdown	111,955	96,125
Triconnex	18,908	12,226
Total Group Revenue	130,863	108,351
Operating Profit		
Tamdown	5,905	4,343
Triconnex	2,608	2,156
Central Overhead	(415)	(181)
Other Income	39	3
Net Finance Cost	(31)	(73)
Profit before tax	8,108	6,248
Income tax expense	(1,770)	(1,224)
Total comprehensive income for the period	**6,338**	**5,024**

The Statement of Financial Position is not allocated by segment and therefore no further analysis is provided. All revenue is generated in the United Kingdom. One customer is responsible for over 10% of the total revenue.

Notes to the financial statements (continued)

6. Operating profit

The operating profit is stated after charging:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Depreciation and amortisation:		
Owned		
Depreciation of property, plant and equipment	604	819
Depreciation of assets held under finance lease	602	203
Lease payments on land and buildings held under operating leases	120	103
Profit on sales of assets	(4)	(16)
Audit and non-audit services:		
Fees payable to the company's auditor for the audit of the Company's annual accounts	16	18
Fees payable to the Company's auditor and its associates for other services:		
For the audit of the company's subsidiaries pursuant to legislation	54	56
Other services pursuant to legislation	-	-
All other services	24	-
For tax services	14	14

Notes to the financial statements (continued)

7. Staff Cost

GROUP

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
Wages and salaries	22,447	21,748
Social Security Cost	2,255	1,016
Pension cost	155	59
	24,857	**22,823**
Directors remuneration (included in staff costs above)		
Remuneration	694	794
Pension costs	38	38
	732	832
Highest paid director		
Remuneration	259	361
Pension costs	19	19
	278	380

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

	Year ended 30 September 2015 Headcount	Year ended 30 September 2014 Headcount
Site workers	492	387
Administrative	132	97
	624	484

COMPANY

The Company did not employ any staff during the financial year (2014: nil) and the directors remuneration was borne by another Group company.